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THE BRITISH COLONIES AND THE EUROPEAN RECOVERY PROGRAMME

The great majority of the British Colonies have now adhered to the Economic Co-operation Agreement, and so have become full partners in the European Recovery Programme experiment. The Colonial Empire becomes eligible for dollar supplies in the form of capital equipment from the United States. But as the days go by, it is becoming increasingly clear that the Colonies are also accepting the liability to help to supply certain raw materials for stock-piling purposes, materials which the United States considers important to keep as a shortage reserve for its own purposes.

These are early days to talk of striking a balance between the advantages and disadvantages of E.R.P. to Colonial territories, for the negotiations about stock-piling and the question as to which materials are to be included have only just begun. But it is already possible to put down the first rough headings on either side of the account.

The flow of goods to the Colonies is a convenient starting point. Under E.R.P. the United Kingdom and the Colonies are now eligible for machinery and other supplies from the United States either free or under loan agreements. How are the Colonies likely to be affected?

The answer is at the same time "very much indeed" and "hardly at all." They are very considerably affected because if there were no E.R.P. the Colonies' calls on the sterling area dollar pool would have had to be cut drastically. A heavy scaling down of dollar supplies was waiting for the Colonies just as it was for the United Kingdom if E.R.P. had not been passed by the United States Congress this summer.

The Colonies are likely to be affected "hardly at all" for this reason. The dollar requirements of the Colonies for machinery and so on from the United States are only small even in total. It has been decided in consequence that the Colonies' needs in the way of dollars will come from the

sterling area's dollar pool. So far as administration goes, this is obviously a clean and tidy way of dealing with the Colonies' dollar needs. A large variety of small orders drawn from some 40 Colonial territories could easily go astray in the administrative machinery of E.R.P.

Shortage of Equipment

Since the Colonies' dollar needs are small it follows that the ten-year development plans are not likely to be greatly affected. But so far as a shortage of dollars might have seriously retarded their fulfilment, that danger is now removed. In so far as their completion is held up by a physical shortage of equipment in the United States or elsewhere (and that is sometimes the problem) not even an avalanche of paper dollars would be much use for some time to come.

But this raises an important question. Is it certain that some goods on order from Britain could not be obtained more easily by switching to United States supplies? The answer is probably "on," although a final opinion must wait for the end of the current E.R.P. negotiations. Viewed at the moment, it looks as though those goods which are difficult to get in Britain will be just as elusive in the United States and even where the balance is slightly in favour of the latter source, there is some prospect of delay in putting orders through because there are signs that the administrative procedure for getting dollar equipment (even by loans as well as by free advances) is going to be more complicated and time-consuming than was originally expected.

It is worth bearing in mind, however, that if it is necessary for the Colonies to join queues for vital dollar machinery there are now three different ones to choose from—equipment via the dollar pool, via E.R.P. and via loans from the World Bank.

Strategic Supplies

The other side of the picture is the outflow of goods from the Colonies. Under Clause Five of the Economic Co-operation Agreement five per cent. of the dollars made available under E.R.P. may have to be used to provide strategic raw materials for the United States. The list of materials in which the United States are interested is already up to 30, headed by the big dollar earners such as tin, rubber, copper and edible oils.

There is naturally some anxiety that this clause will reduce the Colonial Empire's dollar-earning capacity and hence the inflow of dollars into the Sterling Area pool. The Colonies themselves are concerned lest steps taken to offset this contingency may bring a series of long-term difficulties to themselves. For the ready answer to allay fears that Colonial dollar-earning capacity will be reduced is that productive capacity in the Colonies should be increased to meet United States requirements. But the Colonies will not be anxious to expand their capacity to produce tin, say, if demand is not going to be sustained at the new high level.

The United States attitude so far is sympathetic to both points of view but obscure. The E.C.A. administrators talk of lifting only "surpluses" at "world prices." But they also talk of helping to enlarge capacity, and of course, there is no doubt that there is an influential section of U.S. opinion which is interested in Colonial development and which would be impressed if a few instances of concrete Colonial development could be shown to owe their inspiration of E.R.P.

E.R.P. has great potentialities for good in helping to raise the standard of living in the Colonies. It is important that two very wide issues should not be lost sight of in the detailed negotiations. These are first that here is a means of obtaining an intelligent participation of United States equipment and technical skill in Colonial development, and second, that E.R.P. in the Colonies is only one aspect, though an important one, in improving world trade—and in that trade the Colonies have a vital interest.

INDUSTRIAL REVIEW

HONGKONG INDUSTRIAL REPORTS

At the end of September 1948 the Colony had 1,112 registered factories and workshops operating with an additional estimated 500 smaller industrial enterprises which are, under the Factory Law, not required to apply for registration. There were however still a number of industrial enterprises operating in Hongkong which had not yet complied with the legal requirements as to the installation of the necessary health and safety appliances and the building of such premises as the law prescribes in order to safeguard the employed labour in every respect.

The total number of applications received by Government for the issue of licences to factory owners was 1,312 as at September 30, 1948.

Applications and Registrations

—as at September 30, 1948—

	Hong-Kow-	Kong	loon	Total
Applications received	375	1150	1525	
Applications cancelled	45	168	213	
	330	982	1312	
Applications received during September	9	27	36	
Applications cancelled during September	3	8	11	
Registration Certificates to Factory Owners issued in September	2	13	15	
Registration Certificates issued as at September 30, 1948	286	826	1112	

Against 36 applications for registration received by the Government, it was found necessary to refuse 12 applications as applicants did not conform to the rules laid down by the Labour Office as to health and safety requirements.

The applicants in September included the following:—4 saw mills, 1 furniture maker, 1 plastic blocks factory, 1 garments and shirts manufacturer, 3 cotton spinning mills, 4 metal ware factories, 1 flour and rice mill, 4 cotton weaving mills, 2 lime kilns, 2 electric bulbs factories, 1 sesamum seed mill, 1 knitting mills, 1 ship yard, 1 dyeing mill, 2 biscuits and confectionery makers, 1 paper box factory, 1 glass polisher, 1 electro-plating factory and 1 printing press.

BUSINESS CONDITIONS

In the cotton weaving business there was in September and during the first 2 weeks of October a distinct improvement over August; orders came in

with more frequency and the larger mills were well supplied with work. Some weavers reported capacity production and others were looking forward to an increase in foreign orders which should keep them and their several thousand workers satisfied over the winter season.

The knitting and hosiery industry is on the average much better supplied with orders than during recent months and also expects good working conditions for the next few months. Many hundred workers who had to be laid off during the lean summer months have now been taken back and the activity in the factory districts of Shumshuiipo, Laichikok, Tokwawan etc. is most reassuring.

Full capacity production is reported by the enamel ware industry. The local factories employ over 900 workers at the moment and do not expect any slackening of new orders. In fact, overseas interest for locally produced enamel ware is on the increase.

Full employment and capacity production, was also reported from the tin can, the metal lamps, the cigarette and the electric torch industries.

Local printers secured more overseas orders and Hongkong companies also placed larger orders with both the smaller and the bigger printing enterprises: a seasonal upswing has set in about middle of September and the next few months are certain to bring local printshops satisfactory revenue.

The flourishing paint industry of Hongkong is currently producing between 250,000 to 400,000 gallons of paint about half of which is for local consumption while exports mainly to Far East countries make up for the other half. There are four larger paint, varnish and lacquer factories in operation here, and their brands have established themselves abroad with conspicuous success.

Kerosene lamp factories enjoy fair business conditions with orders being now ample. At the beginning of this year the combined output of the factories engaged in kerosene lamp manufacture exceeded 6,000 pieces per month; in June, a very quiet period, output was curtailed to 2,000 lamps but in September over 4,000 lamps were manufactured. Prospects for the next few months are favourable. Local demand for these lamps is also buoyant.

The production of plastics articles in Hongkong will soon further expand as at least two new factories (in Kowloon) are about to start operation. Household articles and toilet requisites will be produced part of which production will be sold here where similar foreign products are found in oversupply although not at very reasonable

prices, but the larger portion of locally made plastic goods are destined for export to Far Eastern, East and West African countries and to the Near East generally. The new factories in the plastic line are modern establishments which should produce the customary plastic articles, which one finds these days in all shops, at a lower price than imported goods while the quality is expected to be equal to American articles sold in the Colony.

Exports

Exports of locally manufactured goods during September and the first half of October were considered above the average. The outlook for larger export shipments is favourable. Average to fair volume of exports was reported in the following locally produced commodities:—

Sewing needles; lanterns, torch lights, torch cases, electric bulbs for torches, flashlights; charcoal irons, watch bands; enamel ware; vacuum flasks;

Matches, firecrackers; pencils (lead); rattan furniture, camphor wood boxes, trunks, chests; rubber shoes, canvas and leather shoes, rubber toys, rubber tubes (inner tubes for bicycles);

Canned fish and foodstuffs (vegetables, spices etc.), ginger in syrup, candied ginger in tins; sauces (from soy beans, shrimps and sea food);

Toilet articles (soap, powder, perfumery); umbrellas of paper and cloth; nut buttons; felt caps and hats; skins and hides (prepared);

Textiles: embroidery, napery and drawn work; silk piece goods; cotton piece goods, sheetings, sarongs, towels, singlets, vests and underwear.

Export markets in the Near East (Iran, Iraq, Afghanistan, Arabian countries), North and East Africa, British West Africa, the West Indies, besides the old markets in South East Asia, yield now better orders as a result of intensive offers made earlier by local exporting houses and manufacturers directly. The participation of many Hongkong factories in the British Industries Fair has also resulted in a larger volume of orders from abroad. It will prove essential to local industrial enterprises to take part in the forthcoming British Industries Fair.

Thermos and Vacuum Flasks

The local vacuum flask industry is doing excellent business and their products are appreciated abroad which is borne out by the increasing number of orders received here. Many local manufacturers use however the name "Thermos" when describing their product and the ships' manifests usually also refer to locally produced vacuum flasks as "Thermos" flasks.

It has become quite customary here to buy a "Thermos" flask while actually a vacuum flask is required. This erroneous description has previously been pointed out in this Review.

We are now advised, through our London Office, that the Hongkong Government Office in London again emphasises that the word "Thermos" is a registered trade mark and it should therefore not be connected in any way with vacuum flasks of any description. The manufacturers of "Thermos" flasks, quite naturally, are anxious to protect their rights which have been so often infringed by manufacturers abroad. The public simply believes that vacuum and "Thermos" flasks are the same thing, usually not realising that "Thermos" is a protected brand. The "Thermos" flask manufacturers may serve injunctions against people who take their trade mark in vain. It would appear necessary that the local vacuum flask industry and the retail trade abstain from the practice of describing their products or articles offered for sale by the trade mark of an old-established British manufacturer.

SALES ORGANISATION OF TEXTILE PRODUCERS

Many local manufacturers of textiles as well as dyeing factories are in favour of a proposal to establish a Union of all textile mills in Hongkong for the purpose of standardising the output of the many hundreds of mills, and to introduce more efficient methods of operation, reduce costs and guarantee to overseas customers quality and quantity of textile shipments.

As competition has now normalised conditions in the textile trade and profit margins have declined, it will be in the best interest of the local manufacturers if foreign buyers can be assured of satisfactory delivery in every respect. In the recent past there have been many cases of justified complaints; not only were often local textile goods shipped contrary to original specifications but shortage of yardage was common and packaging left much to be desired. Many overseas clients were thus lost, probably for good. While Japanese exporters usually deliver an excess in yardage most Hongkong mills were, it appears, in the habit of making a small profit from undercutting piece goods.

A general supervision, voluntary as it ought to be, and thus the possibility of guaranteeing foreign buyers local textile shipments according to contract is very welcome and should eventually improve selling prospects abroad. Much dissatisfaction on the part of foreign buyers was caused by unscrupulous or utterly inexperienced exporters in the Colony who often wanted to make a quick profit from one overseas market, then writing it off and turning to a new field for similar "operation". The old-established textile manufacturers in the Colony have

thus lost, quite innocently, much good will and especially Japanese piece goods found easier going than was initially to be expected.

Many irregularities were observed years ago in the ginger industry of Hongkong. The result was a drastic decline in orders from abroad. However the establishment of an export sales organisation which united all preserved ginger factories and which guaranteed delivery according to contract re-assured foreign buyers and slowly the confidence returned.

On similar lines the proposed textile manufacturers' organisation should achieve much good. It was suggested by proponents that a limited liability company be organised capitalised at \$5 to 10 million with shareholders being all or most of the owners of spinning, weaving, knitting, dyeing and hosiery mills.

RESTRICTIONS IN CANTON AND HONGKONG INDUSTRIES

Among the many unreasonable Chinese restrictions on imports, virtually amounting to embargoes in the majority of commodities, are those on raw materials necessary for the operation of luxury industries. Many beautiful handicrafts in China can only continue if foreign materials are available; the jade cutters, the ivory industry and the semi-precious jewellery trade are particularly affected by the recent prohibition of jade stone, ivory etc. imports.

While, it is true, foreign exchange is to be expended for the import of jade and ivory it is equally true that exports of the finished products bring the Chinese treasury a very much larger amount in exchange than had originally to be paid abroad. Even in case of partial evasion of exchange proceeds by the luxury article manufacturers or the exporters, the Central Bank of China would still earn more than the amount paid for ivory etc. imports.

Since it is futile to reason with Chinese officials, most of whom are lacking in understanding of the operation of trade and industry which they are authorised to control but are only amenable to persuasion which carries "golden" weight, the luxury industry in Canton and South China must rely on black market supplies. During recent weeks these supplies have become very difficult to procure and as a result many ivory and jade cutters contemplate to establish their business in the Colony.

The highly artistic workers may leave Canton and together with the "masters" of the trade settle in Hongkong where the free purchase of gems and semi-precious stones as well as ivory guarantees them regular work and employment; furthermore the sale of their greatly appreciated products, especially in the U.S., would bring them the full value of their work to which they are entitled.

CHINESE MANUFACTURERS' UNION OF HONGKONG

The majority of Chinese factory owners are organised in the Chinese Manufacturers' Union of Hongkong. The Committee for the current year (1947-1948) consists of the following:-

Chairman: Mr Shum Choy-wah (Sun Ah Silk & Cotton Weaving Factory).

Vice-Chairman: Mr C. L. Hsu (Diarward Steel Works).

Executive Committee Members: Messrs Lee Ois (Wah Lun Cotton & Silk Weaving Factory), Leung Chik-fan (Hongkong-China Gourmet Powder Co.), A. J. Ben (National Lacquer & Paint Co.).

Secretary-General: Mr Robert Der (Standard Chemical Works).

Social Affairs Secretary: Mr Ngai Shiu-hung (Yuen Hing Electric Machine Weaving & Dyeing Factory).

Hon. Accountant: Mr Ng Yue-kwong (Ng Yee Hing Weaving & Dyeing Factory).

Hon. Publicity Secretary: Mr Henry K. Y. Hsu (New Asiatic Chemical Works).

Hon. Treasurer: Mr Wong Kwok-wei (Wah Ngai Silk Weaving Factory).

Supervisory Committee: Messrs. Chan Chow (Wing Pang Knitting Co.), Mak Yui-woon (Merry Factory), Aun Fe-han (Eng Aun Tong Tiger Balm Factory), J. S. Pun (Hing Wah Battery Factory), Hui Pee-kook (China Bros. Hat Mfg. Co.).

Committee Members:-Messrs. Chan Lang-fong (Kwong Man Loong Fire Crackers Mfg. Co.), Chow Sai-woon (Chow Ngai Hing Knitting Factory), Mock Tak-ming (Man Yuen Weaving Factory), Woo Sze-cheng (China Products Co.), Y. T. Lee (Sincere Co.), T. Y. Weo (Tien Chu Ve Tsin Mfg. Co.), Chu Chat-yen (China Can Co.), Chan Kwan-lan (Sam Kwong Weaving Factory), Cheng Chik-ehi (Chiap Hua Steel & Iron Mfg. Co.), Fung Che-ye (Fung Keong Rubber Mfg. Co.), Parkson Chan (Chung Yuen Weaving Factory), K. W. Kon (Mayar Silk Mills), Chu Shek-luen (Chung Nam Weaving Factory), Kan Yuk-kai (Wing Fat Printing Co.), U Tat-chee (Chy Loong Ginger Factory).

There are 22 sub-committees for the following 22 branches of industry in the Colony:-Battery, Buttons, Biscuits & Confectionery, Cosmetics, Drugs & Pharmaceuticals, Glassware, Gourmet Powder, Hats, Knitting, Leather, Safety Matches, Hardware, Paints and Oils, Preserved ginger and fruits, Printing, Rubber Goods, Sauce and Meat Cannery, Shirts and Underwear, Cotton Thread, Electric Torches, Tooth Brushes, Weaving.

Manufacturers of the following industrial branches are also represented by the Union:-Bakelite ware, Electric Bulbs, Carbon sticks, Cigarettes, Mosquito destroyers, Stationery, Shoes, Vacuum flasks, Toothpicks, Fire-crackers.

COTTON SPINNING MILLS OF HONGKONG

The following three cotton spinning mills are at present operating in the Colony:—

South China Textiles Ltd., with 6,000 spindles, a monthly capacity production of 300 bales (of 400 lbs); output in September 250 bales.

Peninsula Spinners Ltd., with 7,600 spindles, a monthly capacity production of 480 bales; output in September 450 bales.

Nanyang Cotton Mills Ltd., with 15,000 spindles, a monthly capacity production of 900 bales; output in September 750 bales.

The Oriental cotton spinning mill is at present operating under its capacity due to the incomplete installation of spindles. Total spindles of the Oriental 15,000, monthly capacity 600 bales; September output 240 bales.

The following 5 mills are expected to start operation within this year or early in 1949:—

Name of Mill	No. of spindles	Capacity per month
Wyler Textiles	25,000	1,500
South Seas Text.	30,000	2,100
Lee Tai	10,000	500
Hongkong Mills	35,000	2,220
Kowloon Text. Ind.	20,000	1,200

The Wyler Textiles Ltd. have started part-production this month; the Lee Tai Mill will commence cotton spinning in November; the South Seas Textile Manufacturing Co. Ltd. will be in full operation around February/March 1949; Hongkong Mills Ltd. and the Kowloon Textile Industries Ltd. expect to be in operation in or before March 1949.

Several promoters of cotton spinning mills have made plans to erect factories in Kowloon. Financiers are studying these plans and land purchases for the erection of factory buildings are proceeding. It is expected that two or three mills will be erected in the course of next year in addition to the aforementioned ones.

By the end of September a total of 28,600 spindles were fully operated. An additional 135,000 spindles will be operated by about March next year by which time the Colony's total of cotton spindles will amount to 163,600. At that time the capacity production of the nine above-mentioned mills should be 11,600 bales (of 400 lbs) of 20's yarn. This output would exceed the local demand for yarn by weaving and knitting mills; the requirements of the local textile manufacturing industry, when working at capacity, are 8,209 bales of yarn (20's). Currently, production of weavers and knitters is about 40%, i.e. approx. 60% of local knitting and weaving mills are not in operation.

The local production of yarn has already caused a reduction in yarn prices and thus enabled cheaper output of piece goods. The expected full

supply of local yarn requirements will enhance the Colony's export prospects and will make the import of yarn, for local mills' requirements, unnecessary—with the exception of high counts and particular qualities (e.g. Egyptian long staple). Trade in cotton yarn of the usual counts in the Far East will become, as other merchandise, an article of entrepot business.

The new cotton mills are all modern establishments which are in no way inferior to similar mills in the U.K. or the U.S.A. Factory structures, workers' dormitories, offices are, in every instance, well designed and solidly built. Many of the mills on the outskirts of the city or in the New Territories will prove to be a great credit to the Colony and its people; no finer factory buildings are to be found in the whole Far East, including Japan.

Cotton Mills and Chaos in China.

The establishment of cotton spinning mills in Hongkong has been aided by the confused and deteriorating conditions in China but even without the chaos and civil war in China the erection of cotton mills in the Colony after the end of war was a foregone conclusion. Almost all cotton mills are owned and operated by Chinese industrialists, both from South and North China. Some British capital is also invested in the new cotton mills.

So far no cotton mill has organised itself as a public company and applied for listing of shares at the Stock Exchange. The investing public here may take an interest in the stock of mills if the directors of one or more companies should elect to issue shares on the market.

Chinese industrialists, not only cotton spinning people, point out that, apart from the severe and unreasonable import restrictions in China which practically embargo the importation of essential raw materials, the mounting degree of civil insecurity is urging them not to invest their capital in China of today. Under wartime emergency laws now prevailing in China no factory owner knows what the next day will bring; the inflation of the new currency continues, although not at the speed of the late CN\$, and the general public appears to have lost confidence in Chinese Government controls and its ability to bring peace back to the country. Illegal demands are frequently made on industrialists and protection is only available if large amounts are paid for such "services."

In addition to the depredations committed by the authorities, there is increasing unrest among industrial labour and political agitation is menacing. This situation is further aggravated by the constant increase in cost of commodities, domestic and foreign, and the unstable cost of living.

To make things even more desperate, the Chinese authorities have recently embarked on terroristic methods which have resulted in great damage to business men all over China. The expanding civil war operations cannot but reduce further industrial production to an increasing extent. Under these circumstances no new industrial venture can be contemplated by private enterprise not even in relatively pacified Kwangtung. Chinese industrialists are therefore trying to invest their capital and skill in foreign countries and they have found that Hongkong offers by way of security and stability unexcelled opportunities.

Raw Cotton Position

When all cotton spinning mills will be operating in the Colony the import requirement would be about 14,500 bales (of 500 lbs) per month. Supply is amply available; India can ship any quantity the local market, both for the consumption of mills and for re-export, should require.

During the year 1947 total raw cotton imports—consigned to 38 major firms and a few smaller dealers—amounted to 96,226 piculs. For the first seven months of 1948 total imports were 43,446 piculs—most of which, viz. 42,241 came from India. Out of the total imports the current stock here is estimated at 50,000 piculs; the mills among themselves hold about 40,000 while some 10,000 are in the hands of the trade and a few commodity speculators. (133.33 lbs equal one picul).

Raw cotton exports during the first seven months of 1948 totalled 69,791 piculs which were exported to the following countries:—China 43,480; Korea 1,784; USA 3,254; Japan 15,949 piculs.

Cotton Yarn Position

Yarn prices are dropping as a result of high output especially in Japan. Weaving mills in Hongkong obtain Chinese spun yarn at lower cost than the local product. Yarn stocks of Government (S.T. & I. Dept.) are high and not easy to dispose of at present prices. Recent upswing in demand from Burma, India, Malaya, Siam and Indonesia is slowly changing the tendency and large exports of locally made piece goods and made-up goods are shipped. Eventually, the price of locally made yarn will be cheaper than Shanghai or Japanese yarn.

Imports & exports for the first seven months of 1948 of Cotton Yarn and Thread, up to and including 40's:—in thousands of pounds—

Total imports: 18,370. From:—U.K. 1,683; China 6,489; Italy 3,979; Japan 4,000; USA 43.

Total exports: 5,982. To:—Malaya 404; Burma 441; India 454; Indochina 38; Indonesia 1,652; Siam 2,436; Korea 18; Philippines 4; Oman 2.

POSITION OF TEXTILE MILLS

Although the number of weaving and knitting mills in Hongkong is increasing almost month after month the employment position remains weak, on the whole. Orders from abroad keep a fair number of textile mills in capacity operation but smaller mills, usually those operating with hand looms and otherwise not competitive in the post-war world, find business going from bad to worse. The process of elimination of the less efficient is at work in the local textile industry.

Many of the large and well-managed weaving and knitting mills have maintained their average production of 1947 and they are confident that on the sole merit of the quality of their goods and the reliability and past performance of the management export orders will continue as before. The competition of Japanese piece goods is not dreaded by such mills as long as Japanese prices are not to be lowered.

Shanghai mills' output is considered often much more of a danger to local mills on account of the undercutting of prices, but recent developments in China which culminated in the collapse of the new yuan currency have caused the temporary ban on exports of Chinese piece goods which thus are voluntarily retreating from overseas competition. This situation will of course not last very long since China's foreign payment balance is strongly influenced by exports of cotton yarn and piece goods.

In an endeavour to find out the reaction of local textile mills to the tightening of demand abroad and the increase in competitive offers especially in Far Eastern markets, subsequent to the resumption of Japanese textile exports and Shanghai mills' export drive, the *Far Eastern Economic Review* inquired at the Chinese Textile Mills Association of Kowloon, Hongkong, and obtained the following information.

The local textile mills are recoiling under the staggering blow of keen foreign and above all Japanese competition in the world's textile markets. The problem of continued local production could not be solved by the mills unless with adequate Government help. The crux of the whole problem centres around high production cost and the manufacturers' inability to bring it down on account of the prevailing high yarn prices. In June, 1947, the Association wrote to the Department of Supplies, Trade & Industry, stressing the growing seriousness of the position and the necessity for overall reduction of yarn prices. Representations were also made to the Colonial Secretary on Sept. 22, 1947, urging early re-institution of the Imperial Preference system. Although the Government later did make partial reduction in certain counts of yarn, the reduction was too small to make much difference. In fact, no adequate measures have been in evidence towards improving the situation. While the Association does not for a moment

Depression and Seasonal Recovery in the Weaving Industry

During the first half of this year the weaving mills of Hongkong were increasingly feeling the impact of Japanese and Chinese competition and their sales abroad showed alarming declines. Profit margins had to be reduced in order to meet lower quotations but the high cost of local labour, expensive cotton yarn imports and inefficient operation of many of the smaller mills militated against an improvement of the mills' situation.

A veritable period of slump set in in the early summer months which culminated in August in much unemployment. Many hundred mill hands had to leave the Colony and go back to their native villages; the weaving industry appeared to be encouraging emigration although a lower number of workers in the Colony automatically steadied the wage level.

The basic faults of the weaving industry here cannot easily be corrected: the high cost of labour, compared to Japanese and Shanghai wage levels, and the cost of imported yarn make the local product too expensive in a period of increasingly sharp competition. With the local production of cotton yarn on a steady increase and promising to supply the weaving mills' requirements within a few more months, the problem of expensive yarn prices should be solved soon. A very urgent problem for the

weavers remains their modernisation without which they will not be able to maintain themselves in foreign markets.

The situation during the last 4 to 6 weeks has materially improved and production of weaving mills has recovered some lost ground. But the slight improvement as registered at present does not permit of undue optimism.

The picture of the weaving mills as it emerged from a survey only about 2½ months ago was rather dismal. In mid-August the Hongkong Weavers Association made an investigation into the conditions of their member mills and they found that out of a total of 322 weaving mills (members of the Association) 79 had closed down, 103 suspended operation, 126 were operating on schedule but producing under capacity and 14 mills were producing at full capacity.

Total looms possessed by the 322 factories are 9133 of which 3223 are electric operated and 5910 are hand operated. Looms in operation in August were: 1502 electric and 1289 hand operated; idle looms were 1721 and 4621 respectively. A total of 10,612 of 16,418 workers employed in the 322 factories were dismissed, only 5816 workers remained working at the time when the investigation was completed.

The situation of the 14 fully operated weaving factories is shown as following:

Location	Number of factories	Looms possessed and operating		Number of Workers	
		electr.	hand	original	August
Tokwawan	3	122	24	364	323
Tsinsan	3	68	10	162	162
K'loon City	5	18	111	217	216
Shamshuiipo	3	38	41	125	125
Total	14	246	186	868	826

doubt the sincerity of the Government in its desire to assist and to rehabilitate and build up the Hong Kong textile industry, many mill owners are inclined to fear that such assistance might come too late.

Following are, according to the Association, the results of the latest investigation: of 326 member factories only 16% are operating in full; while 70% are operating partially and 14% have suspended operation. Total number of work people originally employed is estimated to be 12,146. Today only some 6,270 are employed, which means 5,876 have been discharged. While these figures are by no means hundred percent accurate, they may, however, serve as a rough indication of the existing state of affairs in the textile manufacturing business.

The big percentage of the released workers in relation to the originally employed illustrates the unemployment situation while the number of employed workers shows that the owners were waiting for better days.

Among the 79 closed factories, there are 3 at Tokwawan, 3 at Tsinsan, 44 at K'loon City, and 29 at Shamshuiipo. They have 226 electric looms and 987 hand operated looms. The mills employed 2079 workers who were all released.

Only 46.6 per cent of the electric looms and about 22 per cent of the hand operated looms were operating; and only 35 per cent of workers were employed.

INDUSTRIAL RELATIONS

Cooperation between Workers and Employers in Britain

The structure of industrial relations in post-war Britain is established mainly on a voluntary basis and rests on the organisation of employers and workers into employers' associations and trade unions which discuss and negotiate terms and conditions of employment and other matters affecting the work people.

In certain trades where the voluntary organisation of employers and workers is not sufficiently developed to settle such matters by collective bargaining or to secure observance throughout the trade of agreements so reached, statutory machinery has been set for the determination and enforcement of minimum terms and conditions.

Employers' Organisation

Many employers in Great Britain are members of employers' associations. Some of these associations have been in existence for a considerable period. They are generally organised on an "industry basis"—some being purely local in character and dealing with a section of an industry only, while others have a national scope. In some cases local associations are organised into district or national federations.

The central organ of employers' associations is the *British Employers' Confederation*, to which the majority of employers' associations and federations are affiliated. It deals with matters affecting the interests of organised employers in their relations with their workpeople, and is recognised by the Government as the principal channel of consultation between Government Departments and representatives of organised employers as a whole on all such matters.

Trade Unions

A large number of workers in industry, including agriculture and public services such as transport, are organised into trade unions. These have grown up gradually and independently over a great many years, and conse-

quently their form and organisation varies considerably. Organisation started more than 200 years ago among the skilled craftsmen and spread later to the general labouring and unskilled classes. More recently there has been a tendency to organise among the clerical, technical and administrative workers in a number of occupations.

Some of the unions cover a single craft or group of crafts, employed in a variety of industries; others cover all grades and classes of workpeople in a particular industry or range of industries. In the case of the large general workers' unions the range of industries covered is very wide. Each union is an autonomous body with its own organisation, the basis of which is the local branch or lodge. The branch elects officers and committees and deals with all matters which can be dealt with locally. Matters of wider interest are dealt with by unions' district or national bodies, which decide the policy of the union and may engage in joint discussions with employers' associations.

The central organ of the trade union movement is the *Trades Union Congress*, to which nearly all trade unions of any size are affiliated. An annual conference of delegates from affiliated unions settles its general policy. The General Council, elected annually by the Congress as its executive body, carries this policy into effect.

The *Trades Union Congress* is recognised by the Government as the principal channel of consultation between the Government Departments and representatives of organised workers over the country as a whole on matters widely affecting their interests.

Voluntary Joint Negotiation Machinery

(a) At national level

While in some cases all matters affecting terms and conditions of em-

ployment are discussed on an ad hoc basis between the employers' organisation and the trade unions concerned, in other industries standing bodies, generally known as Joint Industrial Councils, exist for dealing with such matters by joint discussion at a national level. There are at present 115 of these bodies. They are composed of representatives of both sides of the industry with, in some cases, an independent chairman. Their functions vary considerably, some being merely wage negotiating bodies while the most advanced deal with a wide range of subjects affecting the interests of the industry concerned.

(b) At district and factory level

Similar arrangements exist at district and factory level in many industries, where matters are either discussed between the appropriate representatives of the two sides on an ad hoc basis, or through regular machinery provided by District Joint Industrial Councils or similar bodies and Works Councils. Such bodies discuss the application of agreements reached at a national level to their district or factory, but as a rule have no power to alter the terms of such national agreements. They also discuss now problems which may arise, and if no solution can be found at factory or district level, these may be referred to the national body.

Statutory Wage-regulating machinery

In certain industries in which, owing to the lack of organisation among employers and workers, voluntary negotiating arrangements do not exist for the effective settlement of terms and conditions of employment or are inadequate to secure their observance by voluntary methods throughout the industry, statutory bodies known as *Wages Councils* and *Boards* have been set up. These are composed of representatives of employers and workers in the industries with the addition of certain independent members, and they have powers to submit to the Minister of Labour proposals for minimum terms and conditions.

The situation of the 126 partly operating factories is shown by the following chart:

Location	Number of factories	Looms possessed		Looms operating electr. hand	Looms non-operating electr. hand	Number of Workers		
		electr.	hand			original	present	released
Tokwawan	11	594	253	285	59	309	194	1468
Tsinsan	18	1016	257	634	117	382	140	2497
K'loon City	63	350	1480	207	504	143	976	3205
Shamshuipo	34	193	851	130	423	63	428	1915
Total	126	2153	2841	1256	1103	897	1738	9085
								4709
								4376

The situation of the 103 non-operating factories is shown in the following chart:

Location	Number of factories	Looms possessed and non-operating electr. hand		Number original	of present	Workers released
		electr.	hand			
Tokwawan	7	115	126	425	23	402
Tsinsan	13	185	207	682	42	640
K'loon City	45	79	1049	1931	153	1778
Shamshuipo	38	219	514	1348	63	1285
Total	103	598	1896	4386	281	4105

The Minister is empowered to make an Order giving such minimum terms and conditions statutory force.

State Provision for Conciliation, Arbitration and Investigation

The Minister of Labour has certain powers to assist industry to resolve disputes which it is not found possible to dispose of by voluntary machinery.

A staff of conciliation officers forms part of the Ministry of Labour. Their duties are to keep in touch with the course of industrial relations and to assist on request, in negotiating a settlement of differences.

Disputes which cannot be settled in this way may at the request of both parties be referred to voluntary arbitration, either by a single arbitrator or an ad hoc Board of Arbitration, or by the Industrial Court, a permanent tribunal established under the *Industrial Courts Act*. At present, under an emergency war-time measure which remains for the time being in force, provision is also made for disputes reported to the Minister by one of the parties to be referred if not otherwise disposed of to the *National Arbitration Tribunal*, the decisions of which are legally binding on the parties. The Minister may also, if a dispute is not susceptible of settlement by any of the above methods, appoint a Court of Inquiry or Committee of Investigation. The reports of such bodies are primarily for the information of Parliament and of the public but though not binding on the parties any recommendation made is normally accepted as the basis of a settlement.

Liaison between the Government and industry over matters affecting the Relations between Employers and Workers

The Government is in contact with representatives of employers and workers at all levels on matters affecting their common interests. At local and district level the conciliation officers of the Ministry of Labour keep in touch with the representatives of both sides of industry, while at national level officers of the Department often attend, as liaison officers in some cases and by invitation and courtesy in others, the meetings of Joint Industrial Councils. Standing arrangements also exist for consultation between the Government and the British Employers Confederation and Trades Union Congress through machinery provided by the *National Joint Advisory Council* on which both sides are represented.

Joint Consultation in Industry at Factory Level

Besides the arrangements already described, which are mainly for settlement of terms and conditions, arrangements also exist and are being extended in a number of industries for joint consultations at factory level on matters relating to production. Such consultations are often informal, particularly in smaller establishments, and in some industries are carried on through the same joint bodies which negotiate

NEW BRITISH PRODUCTS AND PROCESSES

(By a London Correspondent)

Irrigation by Remote Control

The water-flow of the Rangitata river irrigation scheme in New Zealand can be switched on and off from a central position through an electrical remote control apparatus, which has been supplied by the General Electric Company, Limited, Magnet House, Kingsway, London. The water-flow through various parts of a diversion race of the river is controlled by five vertical lift gates, operated by electric motors. All the gate positions are linked by overhead pilot wires to the irrigation headquarters, where the control panel and its equipment are installed. On this panel each gate is represented by an indicating lamp and a lever type "select" key. There are push buttons marked "up" and "down" and "stop", and an indicator showing the position of any gate. To "select" a gate the appropriate "select" key is depressed so that a "start" signal is transmitted to the control equipment and the "sending" selector is adjusted for the particular station required.

Supervisory equipment at all the gates is set in motion by the transmission of another signal over the pilot wires. The indicating lamp adjacent to the appropriate "select" key shows the operator that the gate required has been properly chosen. He then depresses the "up" or "down" press button, energising or de-energising a master relay, so that the gate motor is run in the appropriate direction or stopped. When any selection or operation has been completed, the equipment is restored to normal by replacing the "select" key on the control panel. The system does not interfere with local electrical or manual operation of any gate; and any operation of this kind can be checked from the control panel by the position indicator.

New Machine For Spreading Clay

Machines invented by Mr. L. C. M. Deas, machinery officer for the East Riding County Agricultural Executive Committee, have saved several thousand acres in Yorkshire from becoming a "dust bowl". Clay-marling for soil stabilisation and warping for soil enrichment have been adopted by manual farm labour in certain parts of Britain for 150 years. As labour

terms and conditions. But in a number of other industries separate *Joint Production Committees* or similar bodies have been set up at factory level and are excluded from the discussion of matters dealt with by ordinary negotiating machinery. The constitution of these *Joint Production Committees* varies and in some industries is regulated by an agreement at national level between the ordinary negotiating bodies.

became increasingly difficult, indeed, became scarcer and dearer, the application of these ancient methods became increasingly difficult, indeed, sometimes impossible, and sandy soil from many acres of pockets established by glacial movements was blown away. The spreading of 150 tons of clay, needed for clay-marling of an acre of land, takes 100 man-hours if done by hand. It can be performed in one day by enjoying the new machine—and the spreading is effective for 40 or 50 years.

Warping is the enrichment of soil by alluvial material extracted from muddy water which is circulated over land and drained off. A leaf provides an example of the necessary construction, with the main channel or stem sucking water from a river through sluice doors and feeding subsidiary channels or veins. Each tide deposits a layer of warp about one-tenth of an inch and it is so rich in mineral matter that the new soil when "created" at sufficient depth should yield large and remunerative crops for 20 or 25 years. Compared with manual warping, the mechanised method, recently invented, involves half the cost and a fourth of the former time.

Testing New Gravimeter Under English Channel

A new gravimeter, capable of measuring the depth of the earth's crust under the sea, was recently tested by three Cambridge scientists during a 1,000-mile cruise under the English Channel in an "undersea laboratory" installed in H.M. Talent, a 1,400-ton submarine lent by Britain's Admiralty to the Royal Society for the Promotion of Science. The research expedition wanted to find out such things as where the white cliffs of Dover go after they meet the sea, and whether the old rocks of Cherbourg, France, are a continuation of those off Portland in Britain. The equipment of the laboratory included 300 miles of fine piano wire, catoderray tubes, tubes, measuring devices, beam radio "navigators", radar sets and research chronometers tested for accuracy to more than one-hundredth of a second.

Gravimeters played the most important part among the instruments. The thicker the earth's crust, the stronger is the gravitational force. A pendulum, used by the expedition, is capable of registering differences in the gravitational force as small as one-millionth of a unit. The faster the swing of the pendulum, the greater is the gravitational force. Most of these pendulums require steady conditions which are not obtainable on the surface of the sea, even in a dead calm, and that is why the survey had to be made in a submarine. But the disturbances of the waves cannot be entirely obliterated even under the sea. The new type

of gravimeter, developed by Mr. Gilbert, a member of the expedition, has the peculiar advantage over other types that it functions even when the support is moving up and down (as in the conditions in a submarine). In Mr. Gilbert's instrument a weight is suspended on a wire which hangs between the poles of a magnet. The wire is made to vibrate at its natural frequency by passing an alternating current through it. The natural frequency depends on the force acting on the weight—that is, on the value of gravity. It will take some months before the geologists can draft their final reports with a complete picture of geological structure in the English Channel basin.

Ash-Handling By Conveyer Belt In British Railway Yard

More than 200 locomotives come daily for ash disposal to a plant of novel design built at the Polmadie locomotive depot of the Scottish Region, British Railways. Four locomotives can be dealt with, simultaneously at four pits, each 190 feet long. The floor of each pit consists of grids, which allow the ashes to fall through into reinforced-concrete hoppers, containing troughs filled with water to quench the ashes. From each trough the ashes are removed by a conveyor belt which is submerged in the water. Each belt extends for the full length of the trough, and is driven by an electric motor at a speed of 11 feet per minute; it is carried upwards at one end of a slope, to another conveyor belt operating at right-angles to the line of the troughs. The ashes from this belt are deposited on to an inclined conveyor belt which leads up through a subway in the ground to a height of 50 feet, and are discharged into an elevated reinforced concrete bunker of 50 tons capacity. The bunker straddles a rail riding on which wagons are marshalled for transporting the ashes, the empty wagons having been shunted from the coaling plant after delivering coal.

The locomotive coaling plant, also of a novel design, is of the skip-hoist type, of 400 tons capacity. It has three bunkers: one for coal suitable for express passenger work; another for coal for shunting and "trip" engines. The wagon, loaded with coal, is placed on a tippler table, which is then tipped sideways to discharge the coal into a steel container or skip of 22 tons capacity. The skip is hoisted to the top of the plant, and traversed by a carriage which brings it over the desired coal bunker. A bottom door in the skip is opened by electrically-operated remote control mechanism, allowing the coal to fall into the bunker. The coal is fed out of the numerous bunker outlets by jigger feeders which are electrically driven and are capable of supplying coal at a rate of between 60 and 120 tons per hour. The ash-handling plant has been built by the John Thompson Engineering Company, Wolverhampton, in the English Midlands, and the coaling plant by Mitchell En-

gineering Limited, Peterborough, Northamptonshire.

Life Boat with Radio Telephone

The first British lifeboat to be fitted with a deck cabin will shortly go into service at St. Helier, Jersey, Channel Isles. Hitherto the only protection on the decks of lifeboats has been a cockpit and shelter; although some lifeboats, like this one, have a cabin below deck. The deck cabin gives sheltered seats for 11 people, with room for a stretcher; it contains a locker, chart table and, for the first time in lifeboats, cooking apparatus. The coxswain will still be exposed except for a wind screen giving a clear view, but in later models coxswain and wheel will be also enclosed.

The new lifeboat is the first to use aluminium alloys, instead of wood or mild steel, for the superstructure—deck cabin, mechanics' shelter, mast, and ventilators. For the first time the engine exhaust is carried up the mast, to escape well above the heads of the crew; she has new types of line-throwing gun, searchlight, and compass.

The lifeboat is fitted with radio telephones, which can be used, not only for speaking to persons on shore, but also for speaking, by loud-hailer, to ship-wrecked men. It can accommodate 95 in rough weather.

New Liquid Container

A new type of collapsible plastic lining now being produced in England can be fitted inside any metal or wooden container. Being flexible, it conforms when full with the shape of the outer container and is so designed that its contents do not touch the outside container. The whole thing is intended to meet the needs of suppliers whose liquid products cannot normally be packed directly into a metal or wooden container and will naturally appeal to manufacturers of chemicals, fruit juices, and similar products. The new lining, manufactured by Tanks and Linings Limited of Droitwich, is not attacked by many highly active liquids and, as no air can enter the inner bag (which automatically shrinks as soon as the contents are withdrawn) the liquid remains sterile and uncontaminated even while being tapped. Liquids often have to be pumped out of containers by pumping in sterilised air or carbon dioxide. These new containers are emptied merely by pumping air between the plastic lining and the drum. Marketed under the trade name "Nutrasac Package" this device has the additional advantage that it can be removed from the container with ease, washed and sterilised before being replaced.

World's First Turbo-Jet Air Liner

The Vickers-Armstrong Viscount, four-engined turbo-jet airliner, first of its kind in the world, was recently demonstrated to the public at Weybridge airfield, England. One of the principal features of the aircraft is the small amount of noise and vibration noticeable in the passenger cabin, which is

pressurized so that it can fly to 30,000 feet. The Viscount is a medium-sized civil transport, carrying up to 32 passengers. It has a range up to 1,700 miles and a cruising speed of 325 miles an hour, and is powered by four Rolls-Royce Cart turbine-driven propeller engines. Its extreme manoeuvrability was shown when Captain J. Summers, Vickers' chief test pilot, flying in rain and low cloud, made steep turns 20 feet above the ground.

Rig Capacity Machine Tools

The largest machine tool of its type, a 50 feet, 500 tons boring, turning and facing machine has been built by George Richards and Company Limited, of Broadheath, Altrincham, Cheshire. The machine will be used by the Stafford works of the English Electric Company in making turbo-generators.

Another boring and turning machine of unusually large capacity has been shipped by Craven Brothers (Manchester) Limited of Victoria Street, London, S.W.1. to the Union of South Africa. Work up to 24 feet 3 inches diameter and 15 feet high can be accommodated and threads from one-twelfth of an inch to 3 inches pitch can be cut. A complete system of electrical controls and numerous safety devices are provided. For example, the main drive cannot be started unless the motor-driven oil-pump, which lubricates the table way and spindle, is already running. Similarly, the main motor cannot be started unless the cross rail is locked. The machine can be set for push-button or automatic operation.

Producing Pure Vanadium

The Metallurgy Division of the National Physical Laboratory at Teddington, near London, is now preparing vanadium and titanium in a high state of purity. These metals have very high melting points—vanadium 1,710 and titanium 1,850 degrees Centigrade. Experiments on the production of vanadium in a steel bomb have already yielded small beads of fairly pure metal and a larger quantity of fine powder. Vanadium and titanium are also being produced by the hydrogen reduction of vanadium pentoxide and titanium chloride.

Flying faster than Sound

Mr. John Derry, famous de Havilland test pilot, flying, in the United Kingdom, an improved prototype of the tailless jet aircraft in which Mr. Geoffrey de Havilland lost his life two years ago, has reached a speed approaching 700 miles per hour and exceeding that of sound. At sea level the speed of sound is about 760 m.p.h. and it decreases with altitude until at 40,000 feet it is only 660 miles an hour. The reason for the difference is that the speed of sound varies with temperature and is therefore higher near the ground where it is warmer than at great altitudes. The pilot performed his flight at an altitude of between 30,000 and 40,000 feet at which the speed of sound is about 675 m.p.h.

The difficulty in flying faster than sound is this. At speeds up to 500

miles an hour the air usually flows smoothly over the wing surfaces. As the speed of the aircraft goes up the steady flow of the air over the wing breaks down; a dangerous condition known as a shock-stall occurs at the thickest part of the wing: the aircraft may break up or the pilot may lose control. This is the unknown territory into which John Derry has taken his plane with swept-back wings designed for the purpose of overcoming the difficulties confronting the pilot at high speeds. At the speed of sound the air builds up round parts of the aircraft as if it were unable to get out of the way quickly enough, and this increases the drag and makes it more difficult for the aircraft to go any faster. In trying to prevent or to delay this building up of the air, designers of the de Havilland 108 have given its wings a very marked sweep back. The success of John Derry's flight has greatly encouraged both designers and builders of de Havillands who hope that the Comet transatlantic air liner with swept-back wings, now under construction, will re-establish Britain's lead in civil air transport.

A Machine To Analyse Sea Waves

A new apparatus has been devised by scientists of Britain's Admiralty Research Laboratory to analyse sea waves, and will be used at a coastal station at Perranporth, Cornwall. The study and analysis of sea waves gained increasing importance during World War II in connection with the invasion of Europe. The new apparatus is able to recognize sea waves originating in places as distant as the Falkland Islands. The big waves created by a storm, which may be a thousand feet from crest to crest, arrive first as an almost imperceptible swell on the Cornish coast. The size of the waves is related to the strength of the wind that has produced them. So the observations on the waves at Perranporth not only enable the origin of the storm, perhaps 7,000 miles away, to be discovered, but also the strength of the wind which caused the storm.

Sea waves also govern the formation of sandbanks in harbours and estuaries which is of great importance to navigation. The extent of the region over which particles at the bottom of the sea are transported depends on their size and the strength of the current rising from the bed about the place where the wave breaks. The region over which shingle is moved up and down the beach is restricted to a few yards, while fine sands may be moved backward and forwards for miles. Waves travelling through standing water tend to be stopped if they run into flowing water. This explains why waves do not penetrate estuaries when the water is ebbing. The new apparatus set up at Perranporth makes it possible to study all these problems by direct observation of the sea and its bed and not on laboratory models.

British Aircraft Constructors' Exhibition

Visitors from 69 countries attended the recent flying display and exhibi-

TERMINATION OF H.M. TREASURY CONTROL OVER THE FINANCES OF HONGKONG

A despatch has been received from the Secretary of State indicating that Treasury Control has ceased from the 1st April, 1948. This was announced last week by H.E. the Governor of Hongkong.

Arrangements for control of Hongkong finances as from that date are as follows:—

(1) Approval of the Secretary of State is required for—

- i. The Annual Estimates
- ii. Supplementary expenditure not provided in the Estimates involving capital items exceeding 1 million dollars and recurrent expenditure exceeding a quarter of a million per annum.
- iii. Expenditure involving important points of principle as, for example, changes in salary structure.

(2) The Secretary of State's authority will no longer be needed for the writing off of losses or of assets;

authority for such writing off will rest with Legislative Council. Similarly the approval of the Secretary of State is no longer required for abandonment of claims, but Finance Committee must be consulted where substantial amounts or questions of principle arise.

(3) The Secretary of State is to be kept fully informed of the Colony's financial position and of the general trend of its financial policy at least quarterly.

(4) The Secretary of State will consult with H.M. Treasury from time to time on all important matters affecting Hong Kong's finances.

The Secretary of State points out that the key-note of the proposed arrangements is consultation rather than control, and emphasizes the necessity of his being kept constantly informed of financial trends. He has indicated that he will review the situation again at the end of this present financial year, when it is possible that the principle of consultation, now adopted, may be further extended.

tion of the Society of British Aircraft Constructors at the Royal Aircraft Establishment's airfield at Farnborough, Hampshire. Among the 70 new aircraft displayed the emphasis was on "straight" jets and airscrew turbines in both of which Britain leads the world. The de Havilland Vampire, with a Ghost jet engine, which recently set up the world's altitude record of 59,492 feet, was also on show. Visitors were given an opportunity to see in flight the Avro Tudor VIII, the world's first four-jet civil transport. The Handley Page Hermes IV, Britain's new air liner, was another exhibit which attracted much attention.

One of the most interesting aircraft was a Lancastrian fitted with two in-board Rolls-Royce Merlin piston engines and two outboard Rolls-Royce Avon, the world's most powerful turbojets, still on the secret list. Much interest was shown in a research tailless glider. Several rotor aircraft were included in the show for the first time. The most interesting was the Air Horse, a huge helicopter with three main rotors, which can carry 24 passengers or between three or four tons of payload. There was the Fairey Gyrodyne, holder of the international speed record for its class. A speciality of the show was the Planet Satellite, a four-seater plane of magnesium alloy construction. Magnesium alloys, in view of their light weight and strength, may become important raw materials of the aircraft industry. On the Ministry of Supply stand there was a model of a guided missile which has already

floated. Boosted by rockets, it can travel at 1,050 miles per hour.

Film Show By Daylight

In view of the increasing importance of films for educational and publicity purposes, teachers, demonstrators and salesmen will be interested in a new self-contained unit, marketed in Britain for showing sound or silent films by daylight. The unit, marketed by Moviegram Ltd., of 3, Albemarle Street, London, W.1, is in the form of a cabinet, mounted on castors with a translucent screen and also containing the projector, speaker, amplifier, film reels and controls. The unit takes 16-mm. films which may be started or stopped, as required, or be set for continuous repetition, without the necessity for rewinding. A microphone may be attached, if it is desired to give a commentary; the unit is suitable for an audience up to 200 people. The film is projected on the screen from the rear, inside the cabinet, which enables it to be used by daylight.

The simple device of placing teaching pictures on to a short length of film for showing through a filmstrip projector, is a very important aid to education. Now a firm of London publishers, Common Ground Ltd., of Sydney Place, London, S.W. 7, have decided to publish strip-textbooks with accompanying teacher's text planned to cover the curriculum at all levels. More than 350 such "textbooks," consisting of still pictures on a short length of standard or substandard film, have been published so far, with excellent results.

EXCHANGE & FINANCIAL MARKETS

CHINESE CURRENCY MARKETS

The failure of the currency reform of August 19 has now been accepted with resignation into the inevitable by the National Government at Nanking. The terror engineered after the so-called economic reform measures were decreed has somewhat subsided last week as the results of this campaign championed by Major General Chiang Ching-kuo were partly reached (compulsory conversion of gold and foreign currencies by the public) and partly were nullified by the progressive advance in commodity prices. The Kuomintang finds itself compelled to regain some of the lost sympathies among its own core and oldest followers and that necessitated a compromise between the violent "tiger hunters" in Shanghai and the merchant class. Rumours were flying thick and fast in Shanghai and Nanking; some of them were: defreezing of commodity prices; raising of gold conversion rate to Yuan 800 (4-times the August 19 conversion rate) and similar increases for foreign currency holdings in order to induce continued conversions which of late have come to a complete standstill; plotting by merchants to force the Government to abandon all trade and exchange controls inimical to the interest of Chinese business men; attempt at assassination of Major General Chiang.

Hongkong Market:— Lack of confidence in the future maintenance of the yuan rate at the present already very low level was generally shown. The course of the new yuan was likened to the career and eventual collapse of the old yuan (CN\$).

Highest & lowest quotations (unofficial) per yuan 1:—

High	Low	Depreciation
HK\$	HK\$	against parity

yuan notes	0.61½	0.40½	53.86-69.61%
TT S'hai	0.40	0.34	70-74½%
TT Canton	0.51½	0.41½	61.36-68.87%

Transactions in the native exchange market (excluding direct sales between bank and client and between two private persons):—TT Shanghai yuan 920,000; TT and D/D Canton yuan 2,670,000; TT Swatow 1,230,000; TT Amoy 1,460,000. Yuan notes sold during the week: 1,270,000 yuan.

Reports in the market which were not generally believed were concerned with the arrival of a large number of Chinese secret service agents for the purpose of "supervising" the local financial market. It is a fact that since the reoccupation of Hongkong Chinese secret service organisations have been operating here; many agents were found extorting money from merchants, bankers and private individuals by abusing their "official functions" in the Colony. There are so many impostors here that it is hard to discover who actually is a member of the Chinese secret service and who just poses, for personal gain, as such a worthy.

Shanghai Market:— Transactions were slowly emerging after the many threats of Chinese authorities to mete out the capital punishment to black marketeers had worn thin and the slump of the yuan continued with holders of gold and foreign assets—courageous survivors of the "conversion" campaign—proving most reluctant to sell part of their greatly envied riches. Prices were quoted in the usual haunts of the black market operators but business, except in gold, was reported small.

Highest & lowest rates last week (in Chinese "gold" yuan):—

High	Low	Appreciation
		over parity

Gold per oz	850	650	225-235%
US note	16.50	13.50	237½-312½%
HK note	2.95	2.50	233.3-293.3%

Gold cross about US\$48 to 50; HK cross about US\$0.18.

Domestic remittance rate differences increased and approximated the levels of the old yuan (CN\$) days; private Canton transfers were at a premium of 22 to 28%; similar premia were recorded for remittances from Shanghai to Kunming, Chungking etc. North China was at a discount as flight capital from Peiping, Tientsin and smaller towns in the north continued to come down to comparatively stable Shanghai.

Commodity prices in North China, i.e. that small portion still and precariously remaining under Nanking's control, were on the up and up and although there was a great scarcity in supplies of almost any essential commodity and consequently business in many articles was not done at all nominal quotations continued rising. The various local authorities slowly gave way and permitted higher prices for almost everything. This permission was of course not quite necessary as the markets had not waited for it.

Commercial interest rates were fluctuating like in the days before the "Economic Reform Measures" and 25 to 35% per month were usually charged. The rate of private interest indicates the expectation of the public as to the depreciation of the yuan currency. Nominal official interest for loans, which are practically not available, is 6% per month.

— Money conditions are erratic, one week money is very loose, the next week it becomes tight, and so on. Withdrawal of cash from current accounts was limited last week to Yuan 1,000, probably a measure intended to reduce the flight of capital from Shanghai to the south. On the other hand yuan notes poured into Shanghai from the threatened north and as this money was not entrusted to the banks the official attempt to tighten the money position was partly offset. Transfer of

funds from Central China to the south takes now more and more the form of sales of cargo bought in Shanghai and shipped, via Hankow or direct, to South China ports.

Canton Market:— All commodity markets were disarranged, prices continued climbing and shortages became general. The authorities did not seriously interfere and, on better counsels, refrained from any strong arm methods which so significantly have failed in Shanghai. The administration of Governor T. V. Soong has thus secured more good will among the merchant class, who after all are the only support which the Kuomintang can muster. Living conditions, although very trying, are much better than in Central China.

The anger of the people who surrendered their savings in gold and HK\$ during September and did not or could not reinvest in commodities is still rankling and the more the yuan slumps the deeper this feeling of resentment grows. If not for the atrocity stories from Shanghai which terrified the Cantonese into the surrender, the result of the compulsory conversion would have turned out less gratifying to the Nanking treasury. But the terror worked well by long-distance.

The authorities in Canton besides issuing many orders and admonishing the people to do their patriotic duty have not actually victimised the population and therefore one finds more co-operation between the merchants and the Provincial and Canton governments than could have been expected after the introduction and the subsequent failure of the "Economic Reform Measures" of August 19.

Gold was selling in small lots only, at prices which were in line with Hongkong; highest & lowest per tael HK\$309-300. Hongkong notes were in active demand but supply was lagging; highest & lowest prices Yuan 2.40-1.90; appreciation over parity 153½ to 220%.

New York free exchange market:— Against a nominal quotation of 25½ US cents per yuan business was done at around 7 cents, showing a depreciation of the yuan by around 70%. Among sellers of funds in China were also reported to be Chinese officials in the U.S. The volume of business was stronger than during previous weeks.

"GOLD" YUAN IMPORTS & EXPORTS

Shortly after the Chinese currency reform of August 19, Hongkong Government in its desire to lend assistance to the authorities in Nanking ordered that dealings in the new Chinese money had only to be conducted at the official rate of the Central Bank of China and that Exchange Control was to be daily supplied with information by the authorised banks regarding yuan bought and sold. So far no figures were disclosed by the Control as to the amounts transacted but it transpires that, apart

from certain business carried on by Chinese state banks in the Colony, the European and American banks only sold insignificant amounts of yuan against HK\$, the banks' selling rate being quoted at yuan 0.74 while no buying rate was established.

The collapse of the "gold" yuan has resulted in complete absence of inquiry for yuan transfers; the gap between the official and unofficial rate has grown too wide. It would be interesting just the same to learn, from the Exchange Control, how large were authorised banks' yuan sales, and compare this figure, if ever vouchsafed to the community, with the unofficial market transactions, reported weekly in the columns of this Review.

Yuan notes were never bought by the authorised banks; although every traveller was permitted to bring here 20 yuan, he could only convert them into the local currency at local exchange shops and unauthorised banks. The idea to sell yuan notes to a local exchange association bank (at the official rate) occurred to a friend of this Review but he met with derision and wonderment when he broached his plan.

The import or export of an amount exceeding 20 yuan has been prohibited by Hongkong Government on September 21. (Incidentally, it is just ten years after Munich, Sept. 30, 1938, with the ghost of Chamberlain still haunting the world). Previously the maximum amount permitted by Government was CN\$5 million, an amount which originally sufficed, for a short stay in the Colony, to cover a traveller's urgent expenses but the continuous depreciation of the Chinese currency eventually reduced this permitted amount to an equivalent of HK\$2. Similarly with the "gold" yuan: at the time of the introduction (or amendment) of the order, 20 yuan were unofficially exchanged for about HK\$26 but last week only \$10 were paid by money changers.

The order makes it however clear that only "notes" are limited to 20 yuan for import or export; the well-to-do travellers not to mention the people against whom the measures were directed could carry with them drafts which served the same purpose although notes were always quoted higher than funds in Canton.

Many small people were caught by Revenue officers of Hongkong Government especially at the railway station; the excess amounts over 20 yuan were confiscated and justice was done. For several weeks there were many such confiscations reported in the press but of late the public has been spared such unpleasant news.

The overzealousness of the local Government contrasts with the flexible methods employed in China as regards the import and export of yuan notes. There is no uniformity; what goes in Shanghai is not applied in Canton, and what was the rule yesterday is changed overnight. As far as Canton is concerned nobody there seems to bother whether, on arrival, one brings in any money at all. But a new Chinese Customs regulation has just been released which, as far as South China is concerned, allows the import of 1,000 yuan. Hongkong, however, does not

show such largesse and actually demands that arrivals from China are, in fact, destitutes; 20 yuan found on a person qualify him to be regarded as one without visible means and therefore a person to be deported from the Colony.

Inquiries made at various local Chinese authorities regarding the amounts in Chinese and foreign currency legally permissible to be carried by travellers led to no satisfactory answers. The only sensible answer was given by Chinese official here who shrugged his shoulders after our inquiry and said: "It's all quite absurd."

The Chinese Customs notified the public that the import and export of Chinese currency as far as Taiwan is concerned is limited to 50 yuan. Thus a traveller arriving here from Taiwan or leaving the Colony for Taiwan is in a quandary since according to Chinese regulation the permissible amount is 50 while according to Hongkong orders this amount is only 20 yuan.

"Gold" yuan are not allowed to circulate in Taiwan and have to be exchanged there at the official rate of 1,835 Taiwan yuan per one "gold" yuan. A black currency market in Taiwan discounts however the "mainland money" paying only about 800 to 900.

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MACAO EXCHANGE DEALINGS & FINANCIAL CONDITIONS

The only bank licensed to do business in Macao is the Banco Nacional Ultramarino which also issues notes in Macao and Mocambique (Portuguese East Africa). The BNU is not fully equipped to engage in commercial banking or to grant loans to industry and trade as it is primarily a note issuing bank and fiscal agent. However, limited sums for the opening of letters of credit are available and smaller mortgages can be arranged.

There are many native banks and agents of Chinese commercial banks in the Portuguese Colony but their experience and background — with the possible exception two or three firms — does not enable them to transact ordinary banking business. The native banks, described as exchange shops in Portuguese ("cambistas"), are engaged in remittances mostly between Macao and China. Since about two years the flourishing trade in gold has absorbed much of the capital and energy of the leading native banks in Macao.

Official exchange rates are quoted by the BNU as follows: Bank's selling — One pataca: Escudos 6.07; 1/2-25/32; 0.80 Indian rupee; 0.51 Malayan dollar; 0.83% Swiss franc. On New York the B.N.U. does not quote a rate. Besides the above rates no selling quotation is available.

The official Macao rates agree with the official Hongkong quotations with the exception of Zurich which is quoted here frs 107 (selling).

The B.N.U. charges $\frac{1}{4}\%$ premium for transfers to Hongkong. Bona fide travellers may buy a maximum of 200 patacas against HK\$ at par, less 1% commission.

On the open market which is an affair of the native banks HK\$ is transacted at 0.81/82 patacas per dollar (HK\$ 122/3 per pataca), meaning a

discount on HK\$ of 18/19%. This rate is applied only for bank notes; in commercial business between Hongkong and Macao a somewhat higher rate for HK\$ is paid, viz. about 0.865 (HK\$115½ per pataca).

The open market transacts actively gold and HK notes but US\$ are not often encountered, and its rate is computed by Macao money changers according to the Hongkong market rate less the discount on HK\$. All other financial business in Macao is done in accordance with Hongkong market rates.

Dealings in Chinese yuan have been officially prohibited except at the fixed conversion rate of the Central Bank of China. As the Chinese Government has never bothered about decreeing a rate for yuan/pataca the Macao Government interpreted Nanking regulations as far as Hongkong is concerned as also applying to the Portuguese Colony. The logical rate therefore should be 0.75 yuan per pataca but no business was ever done at this rate in Macao.

The B.N.U. does not deal in Chinese money and the native banks are not allowed to do so and thus officially no money exchange between the Macao and the Chinese currencies exists. The open market is careful about transacting business in yuan as it is a "black market" matter from the point of view of the Macao Government who thus demonstrate, if proof was required, that Macao cooperates with China in her hour of distress and calamity.

Trade between China and Macao, recorded and unrecorded, is carried on in Chinese yuan; as most of Macao's imports from and exports to China are not declared at the Chinese Maritime Customs stations it follows that yuan transactions also need not be officially conducted. The rate of the Chinese yuan in Macao is in accordance with Hongkong and Canton markets.

Chinese flight capital has also come to Macao but no investments of any importance have been made, this capital being usually in transit or in the form of gold and foreign currencies which are hoarded. There are many investment "advisers" active in Macao but Chinese flight capitalists have not found any opportunities there, which accounts for the lack of new enterprise in Macao.

What is being done, built or rehabilitated is usually financed by the managers and partners of Tai Fong Bank, the enterprise which was so lucky as to secure most of the gold import and transit business. Part of the very large profits derived from the gold trade have gone into some local development.

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PLATINUM TRADING

First arrival of the metal from London was reported but no sales were as yet effected. The approx. price per oz of platinum is calculated, on the basis of world market quotations, at 100% over the gold price (fob New York or European ports, i.e. about US\$44 to 45). Some Japanese stock was changing hands last week at about \$530 to 540 per tael but demand could not be satisfied; inquiry especially from exports continues.

US DOLLAR MARKET

Trading Conditions

Merchant demand was small and did not exert any influence last week on the US\$ market. Imports from the US are now more difficult to arrange on account of the protracted West Coast strike and shipments via Gulf and Atlantic ports increase the cost to importers and dealers. As current market conditions no longer permit of higher retail prices, importers are wary about orders from the US while West Coast strike is not settled.

Although old stocks show good prospects for clearance and the seasonal improvement has set in most dealers prefer to be cautious about replenishment of stocks. The wholesale price trend in the U.S. is most erratic and no conclusion can be drawn from current price antics there; while many signs point towards a gradual decline in prices the artificial consolidation of prices of primary products is a first aim of political circles in the U.S. who with increasing war preparations and egregious foreign loans and gifts maintain the high cost of living in America. It is most difficult to draw practical conclusions from the current price trend in the U.S. which could be applied to business decisions here.

The movement of prices in the U.K. is far more consistent and reflects much clearer a genuine tendency which, to the chagrin of all consumers, is slightly upward.

In spite of the firmness of commodity prices in world markets local dealers remain stolid as regards restocking: they are confident that supply is getting more ample and that delays in shipments will soon be a thing of the past. Provided that buying interest can be evoked and prices do not advance over current levels, the dealers and wholesalers will always be in a position to get the desired cargo without running unusual risks.

Many traders who have sustained losses from overstocking and enforced liquidations when the price slump set in at the end of the sellers' market, have changed to a policy of extreme caution in contracting new business. The easy and extraordinarily large profits made in 1946 and early 1947 did not all stick in the end; while losses in the wholesale trade have not been very frequent the profitless operation of many import businesses has cut into the reserves which were piled up from postwar profits, and in the case of many Chinese firms in the Colony, even more so from profits of business transactions during the Japanese occupation period.

Chinese Govt. agent in the market

During the week under review considerable purchases of T.T. New York were again carried out. The Central Bank of China has found it necessary to deny any official Chinese buying but from the Chinese point of view, although that view may not be shared by the Hongkong Government, there may be nothing wrong in buying in the open

exchange market of Hongkong free funds in New York with Hongkong dollars which have accrued from the compulsory conversion of the former Chinese currency. In the words of a local native banker "there is no reason why the Chinese Government should keep such a large amount as HK\$50 million or more when credits in America are urgently required. The Chinese Government suffers, as so many other governments, from an acute dollar shortage and is therefore anxious to convert its holdings in other currencies such as sterling into US\$".

The local office of the Bank of China bought last week, in the name of a private person, an amount of US\$1 million both in drafts and TT. This purchase was mainly responsible for keeping the unofficial quotation up. Further purchases of TT New York by Chinese Government agents are expected especially when the rate here should drop under 533. The above-mentioned US\$1 million purchase was responsible for the unusually high turnover in the unofficial dollar market of last week. Otherwise merchant and gold importers' demand was weak but Shanghai investors were slowly coming to the fore.

There was a considerable influx of US notes noticed last week, all coming from China; most of these notes were brought here for safekeeping but an estimated US\$100,000 were exchanged in the market into local currency.

Highest & lowest rates (in HK\$ per US\$ 100):—

notes	531 1/4—522
drafts	536 1/2—524 1/2
TT	539 1/2—527 1/2
(Per HK\$100 highest	US\$18.966, lowest US\$18.535).

Local cross rate, high & low: US\$ 3.033—2.965.

New York quoted freely convertible sterling higher, between 2.75 to 2.80 and Zurich advanced the cross rate from 2.70 to 2.75.

Transactions in the local market last week: total US\$3,064,000.

Sales from day to day were as follow:—

	TT	Drafts	Notes
Oct.			
18	460,000	48,000	63,000
19	680,000	92,000	48,000
20	400,000	108,000	80,000
21	360,000	86,000	72,000
22	180,000	87,000	42,000
23	150,000	72,000	36,000
Total	US\$2,230,000	493,000	341,000

GOLD MARKETS

Arrivals of new bullion in Macao were swelling stocks there and here, and further orders placed earlier this month are expected to be completed within one or two more weeks. Offtake is unfavourable at the moment which causes a temporary congestion in the gold market.

Inquiry from China is weaker which is partly the result of the slump of the yuan exchange rate—signifying further decrease in the purchasing power of the Chinese—and partly a matter of nerves; the Chinese Govt. is threatening confiscations and imprisonment even the death sentence unless gold holders surrender their possessions at the conversion rate of Yuan 200 per ounce which rate is now only one third and less of the black market quotation. The deadline for the surrender is set at October 31 and a further extension is solemnly declared in Nanking to be out of question. Under such conditions the outlook for new gold investments is not encouraging.

Much gold has been transported out of China and put away elsewhere. Transport or transfer commissions charged by dealers for one ounce of gold in Shanghai to be handed over to holders or their representatives abroad was last week around 20%; thus a gold holder in Shanghai had to deposit 12 ozs while he or his representative in Hongkong obtained only 10 ozs.

Trading stocks here have accumulated and will further grow until the situation in China as far as gold investments are concerned becomes clearer. Hoards of Chinese investors are believed to have greatly increased here during September and the current month but these people are not affecting the trading position or the price movement.

Highest & lowest rates of last week:—per tael in HK\$309 1/4—298 1/2. Cross rate per oz US\$47 1/4—46 1/2.

Overseas offerings between 44 1/2 to 44 3/4 which price, considering the customary squeeze in Macao and the freight and insurance costs, is too high for local importers and native banks (in the bullion business). The "ready made licence fee" as charged by the agents and brokers for the syndicate which practically monopolise the gold import licences in Macao remains at HK\$9 or, at the current TT New York rate, at US\$1.70. It must be admitted that at the depressed rates of the moment the profit of the Macao syndicate is also small; the legal Macao import duty of 2 patacas (about HK\$ 2.50) is covered by the "ready made licence fee."

Transactions in the local market (in taels):—spot, official: 15,630; spot, unofficial: 25,440; forward, stipulated on delivery: 615,430; forward, on position clearing: 736,040.

Of the spot bullion about 25,000 taels changed hands by interest hedging operators, over 5,000 taels went into the vaults of Shanghai and Canton investors, mostly residing in the Colony, and some 6,500 taels were exported. A small amount only went last week into ornamental consumption.

Imports last week aggregated from Macao over 20,000 taels and from Shanghai about 1,500 taels. Direction of undeclared exports:—2,500 taels to Bangkok, 2,000 to Singapore, 1,000 to Calcutta, 500 to Haiphong and 500 to Tientsin. Macao exports to South China places were estimated around 1,000 taels.

Daily trading reports:—

Monday, Oct. 18:—Opening & closing rates \$307 1/4—302 1/2. On the fictitious forward market the change over favoured the sellers at the interest rate of 5 H.K. cents per tael per day. Throughout the week the change over rate continued in favour of sellers. Imports into Macao were very large. Export demand without improvement. U.S.\$ T.T. rate dropping from 534 to 530; rates eased off.

Tuesday, Oct. 19:—Opening & closing 302—306 1/4. Change over 4 cents. Following the easy tendency, lowest rate of the week 298 1/2 touched, but reacted when Chinese Government agents bought US\$, improving the said rate to 534. The reaction was also caused by the rumour that the Chinese Government may possibly raise gold purchase rate from G.Y.200 to 800 per ounce.

Wednesday, Oct. 20:—Opening and closing 303 1/2—307 1/4. Change over 10 cents. The sudden low opening was caused by the unusual improvement of the Sterling cross rate of 4 cents, but as these low rates were at or below the cost of importing, gold importers turned buyers, and with U.S. T.T. rate advanced to 538, the highest rate of the week 309 1/4 reached.

Thursday, Oct. 21:—Opening & closing 307 1/4—304 1/4. Change over 4 cents. The rumour of raising gold prices in China denied and discounted, and with Macao rates 5 points and Canton rates 2 points lower than Hongkong, rates receded.

Friday, Oct. 22:—Opening & closing 303 1/2—304 1/4. Change over 5 cents. Market quieted down. The report of 5,000 taels imported from Shanghai, although delivered by a Shanghai operator, was in fact majority from Macao and only part from Shanghai.

Saturday, Oct. 23:—Opening & closing 303 1/4—303 1/2. Change over 4 cents. Macao stock was increasing and the interest rate there increased to 30 cents in favour of sellers. In the unofficial afternoon market business was done at 302 1/4.

SILVER BUSINESS

Sales in the native market were slack although the price trend continued firm. Transactions last week:—86,000 taels, \$17,000 worth of dollar coins, and \$87,000 worth of 20 cents coins.

New York and London quoted 77 1/4—77 1/2 cents and 47 d. respectively. The average price per oz here was \$3.36/3.41.

During the week under review, prices were at lower levels, the highest and lowest prices were, bar silver 4.15—4.10 per tael, dollar coins 2.72—2.70 per coin and twenty-cent coins 2.05—2.03 per five coins. Trading was limited and no import from China was reported.

There was a report that Korea may export silver to Hongkong under government approval; this has yet to be confirmed.

Differences in filing Silver Tax returns between exporters in Hongkong and the American officials still continue.

BANK NOTE MARKETS

Piastre: Sales in the market last week (in million piastres) spot, inside and outside the Exchange Society: 8.78; forward 8.86.

The highest and lowest rates were 10.30 and 9.20, closing at 9.52. The Hong Kong and Shanghai Banking Corporation raised the official Franc rate from 53.40 to 65.60 per H.K.\$1.00, about 22%, on October 18th. Rates were dropping with an easy tendency. Big quantities of Piastre notes were imported from Kunming via Canton and stocks here increased.

Nica guilder: high and low for the week HK\$36.40—35 per 100. Java guilders high and low \$35—34. Sales: 66,000 guilders.

Bank of England notes: Against New York the local price about 5% lower; New York equivalent at HK\$14.50 per £1. Local highest and lowest rates last week \$13.80—13.55.

Philippine Peso: high and low \$2.58 1/2—2.54 1/2. As transfers from Manila to the U.S. are freely negotiable, only 1% commission being charged, the peso note market here

only offers 2 to 3% less for Philippine bank notes than for US notes and drafts.

Canadian dollar: high and low \$4.70—4.55. In the free New York market Canadian \$ are discounted by 7—9% while the local discount, in terms of US note and draft quotations, moves between 10 to 14%.

Canadian Chinese remit regularly money to China, usually via Hongkong. These drafts are either payable in Hongkong, i.e. are exchanged by local banks at the official rate (like US\$, 4:1) or Canadian Chinese purchase a US\$ draft (monthly limit per person US\$25) which is sent out here in the form of a bank manager's cheque thus qualifying for purchase in the open market and bringing the remittee about 25% higher proceeds in HK\$.

Some remitters in Canada mail out bank notes which are sold in the local market at about 12% premium over official rate. Merchants and exchange dealers take these notes off the market, send them to New York where travellers buy them when visiting Canada. Local business in Canadian notes is limited but every week some sales take place.

HONGKONG OFFICIAL EXCHANGE RATES

AGREED MERCHANT RATES

	MAXIMUM SELLING	MINIMUM BUYING
STERLING. 1/2 15/16	delivery within 2 months with a cut of 1/32 for every fur- ther 3 months forward.	1/3 1/32 T.T. 1/3 1/16 O/D. 1/3 3/32 30d/s. 1/3 1/8 60-90d/s. 1/3 5/32 120d/s.
—Do— (East & South Africa)		1/3 1/8 O/D if under L/Credit. 1/3 3/16 O/D with L/Credit
—Do— (West Africa & West Indies)		1/32nd up every 30d/s.
RUPEES (India)	82 1/4	1/3 5/16 O/D if under L/Credit. 1/3 8/16 O/D with L/Credit
—Do— (Rangoon)	82 1/4	1/32nd up every 30d/s.
—Do— (Aden)	82 1/4	83 1/4 T.T. 84 1/4 O/D. 84 1/2 7 & 30d/s. 84 1/4 60d/s. 84 1/2 80d/s. All buying rates 3/16th higher than India.
Straits \$	52 7/8	84 1/4 O/D if under L/Credit.
U.S.\$ 24 15/16	delivery within 2 months with a cut of 1/16 for every fur- ther 3 months forward.	84 1/4 O/D without L/Credit. 84 1/4 30 & 60 d/s.
CANADIAN \$		53 1/2 T.T. & O/D. 53 1/2 30 & 60 days
U.S.\$ NOTES		25 1/2 5/16 O/D—30d/s. 25 3/8 60—90d/s.
AUSTRALIA.	1/6 1/4	25 1/2 (Banks to pay Insur- ance and Postage).
NEW ZEALAND.	1/6 7/16	1/6 1/4 T.T. 1/6 15/16 O/D. 1/6 13/16 T.T. 1/6 7/8 O/D.

No rate for the Chinese currency is quoted by the Hongkong Exchange Banks Association.

HONGKONG UNOFFICIAL EXCHANGE RATES

(In H.K. dollars)

October	Gold				Chinese Yuan				U.S. Dollar							
	per tael	High	Low	Silver	per tael	Notes	High	Low	T.T. Shanghai	High	Canton	High	Note	Draft	T.T. New York	High
18	307½	302½	4.15			0.61½	0.51	0.35	0.34	0.43½	0.42½		5.27	5.30	5.33	5.28½
19	306¾	298½	4.10			0.48	0.40½	0.35½	0.34½	0.42	0.41½		5.27	5.31	5.34	5.27½
20	309½	303½	4.12			0.44½	0.41½	0.34½	0.34	0.45	0.44		5.30	5.35	5.39	5.33½
21	309½	304½	4.15			0.49½	0.44½	0.36½	0.35½	0.51	0.50		5.28	5.32	5.39½	5.35
22	305¾	301½	4.13			0.52½	0.47	0.38	0.37	0.51½	0.50½		5.28	5.31	5.36¾	5.32½
23	304¾	301½	4.13			0.51½	0.47	0.40	0.39	0.50	0.49½		5.27	5.29	5.34	5.31

Business done last week in foreign bank notes:—(per 100)—

	High	Low
Siamese baht	\$ 25.60	25.40
Australian £	12.54	12.50
Indian rupee	106	101½
Burmese rupee	100	97
Ceylon rupee	105	102
Malayan \$	180	177½

Sterling in Siam

Siamese account sterling being freely convertible is much sought after and many local merchants have made their purchases in hard currency countries by covering their exchange in the free market of Bangkok. Siam is in the convertible sterling group since September 1947 (vide our issue of Feb 18, 1948, p. 150) and financiers in Bangkok, of all nationalities, have availed themselves of the opportunities offered by the agreement between the Bank of England and the Bank of Siam. The premium paid for Siamese account sterling, in relation to the unofficial sterling/US\$ cross rate in Hongkong or Bangkok, has fluctuated according to the technical market position. Usually the premium was about 20%, i.e. the cross rate for Siamese account sterling moved around US\$3.60.

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BUSINESS WITH BIZONIA

The export capacity of the western sector of Germany is rising, partly a result of American E.R.P. aid. Far Eastern inquiry for old established German brands is active but the most important question remains the method of payment. Bizonia is treated by the sterling area as a hard currency country on account of all Mark payments, in foreign trade, being computed into US\$.

Hongkong importers can only obtain German merchandise if the local Exchange Control agrees to a sterling transfer to Bizonia which will only be given in the case if essential commodities not otherwise procurable in the sterling area. A possibility for securing an import licence is however provided in the case of importers financing their purchases in US\$ which of course increases the price of German goods by about 25%/35%. German cameras and photo supplies, binoculars, pharmaceuticals and medicines have reappeared here and the Chinese buyer is usually

eager to resume contact with German industry.

DIAMOND BUSINESS

With the imposition of a diamond import quota in force in Malaya since over 2 months the business outlook for Hongkong as an entrepot in the diamond business is improving. Singapore had been doing good business previously, importing stones from the sterling area and distributing them in neighbouring countries as well as in Malaya. The quota should permit only of sales in Singapore and Malaya and may leave only a small balance for exports.

Hongkong can freely import diamonds from South Africa, London and Holland but imports from Belgium are subject to Exchange Control, i.e. the surrender of the full value of imported stones in US currency. During recent months most imports were arriving here from the Union of South Africa where a very prosperous cutting and polishing industry is effectively competing with the old centres of Amsterdam and Antwerp. The Union is shipping from ½ carat to 5 carat stones which are favourites with the local and Chinese public. London acts only as an entrepot in the polished diamond trade; from Amsterdam come highly polished stones while Antwerp is selling to Hongkong during recent months under 1 carat stones but of the highest quality.

Dealers here are slowly replenishing their stocks after the recent run by Chinese investors.

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Failure of the Chinese Economic Reform Measures

The price control measures decreed on August 19 continue in force to this day but the general public and even provincial and district authorities increasingly ignore them. The general price level has strongly advanced over the "frozen" ceilings of August 19; in North China from 200 to 300%, in South and West China, on the whole, from 100 to 200%. Chaotic conditions prevail in commodity markets; price controlled goods have largely disappeared from the official markets and are only available at black market rates but not in sufficient amounts. The change of the utterly unrealistic price freeze decrees of August 19 is imminent.

In one of the many pleadings by foreign business men in Shanghai who have been most devastatingly affected by the price control measures decreed by President Chiang Kai-shek, a prominent merchant, under the name de plume of "Merchant," writing in the courageous and outspoken American owned Shanghai Evening Post, outlines the case for the abandonment of the ceiling prices. Following are "Merchant's" arguments:—

When the new currency was introduced two months ago many of us entertained hopes that it would be successful. It is unfortunate that those hopes are rapidly disappearing.

With commendable vigor and courage, restrictive measures were applied to prevent any more black market operations, and those measures were largely successful; so successful, in fact, that the control authorities seem to have concluded that nothing else is necessary. They think that the new currency and the economy of China can be firmly established by a process of rigid control, irrespective of economic laws.

Take the price levels. The official exchange before August 19 was CN\$8,276,250 to US\$. On August 19 it was changed to CN\$12 million, which meant automatically that the cost of all imported material was increased by 45 per cent. On top of that, the Customs raised the customs duty by imposing a 40 per cent Rebellion Suppression surtax.

However, the effect of these changes will not be felt till fresh stocks are imported from abroad. In the meantime, manufacturers are supposed to sell on the basis of their old stocks. That argument may be admissible.

Necessity for increase of "frozen" prices

But the general price level is too low for the following reason:—(1) Before August 19 we had a currency which declined in value every day, almost every hour. Consequently, commodities increased in cost every day, but never in the direct ratio of the loss in the value of the currency. There was a time lag. The currency changed, commodity prices slowly adjusted themselves. Now on August 19 commodity prices were lagging behind exchange as usual, when suddenly both

exchange and commodity prices were frozen. It is natural therefore that commodity prices were lower than they should have been. (2) There are always seasonal fluctuations in prices, and in August, being the height of summer, prices are at their lowest. Eggs are cheap in summer, and dear in winter. The farmers expect to receive about 50 per cent more in winter. That has been the rule from time immemorial. If you freeze the price of eggs, you are defrauding the farmer of his legitimate and hard-earned returns. The same applies to woolen yarn. Prices are low in the summer. If dealers buy yarn in the summer they must keep it in stock till the winter season, and with interest rates ruling at 70 per cent per month, the dealers were not ready to buy. Tobacco is the same. Cigarettes go mouldy in the damp summer weather so that factories make forced sales at reduced prices.

Chinese Authorities' "Complex"

The control authorities should be aware of these facts, yet they persist that prices must be held at the August 19 levels. They seem to have developed quite a "complex" on this point. There is nothing to be afraid of. If prices can be held at levels which are well below cost, it stands to reason they can be held much more readily at realistic prices, which will provide the sellers with a profit. The authorities should fix all prices on a firm basis, and then apply controls to hold them there. The present policy is heading straight for disaster at a most alarming speed.

Virtual Import Embargoes

In writing some weeks ago, we also mentioned the question of idle capital and the stimulation of trade. When

the authorities demanded the surrender of all foreign currency notes, gold, and silver, they collected the equivalent of US\$160 million, and paid out in exchange GY 640 million, which was suddenly thrown on the market with no outlet. The public raided the shops. This buying wave can be arrested by the simple process of issuing a large number of import licences. If the authorities issued import licences of essential machinery and raw materials to the extent of US\$100 million, they would absorb GY400 million in exchange, plus between GY100 to GY200 million in customs duties and surtaxes. In addition, they would reduce the prices of many items of consumer goods, which are high in price owing to scarcity. This is very elementary.

Return to "Peace" with Capitalists?

The war of nerves against the "tigers" has subsided to some extent, but there has been no formal or informal declaration of peace. The result is that many leading businessmen are still absent from the city, in Hankow, Peiping, Canton, and Hongkong. The Government needs the co-operation of all parties. Co-operation is better than opposition.

A few bold and decisive steps could yet save a rapidly deteriorating situation. Restrictions and controls are necessary, but negative measures. The situation calls for positive action with the end of encouraging business. We hope the positive measures will come before it is too late. In spite of military reverses the enormous wealth of that part of the country still held by the Nationalists is sufficient to insure a sound economy, if only the control authorities would gather together a group of able economists and take their advice.

THE NEW REGIME OF COMPENSATED EXCHANGES IN FORCE IN INDOCHINA

Compensated exchanges are contrary to regulations on exchange whose fundamental principle is the exportation of goods against currency at the official rate and the pooling of these currencies to satisfy the essential needs in foreign goods payable in currencies at official rates.

The position of the Piastre on Far Eastern markets on one hand, and the constant rise of the price of Indochinese exportable goods on the other, have obliged the DIRECTION DU COMMERCE EXTERIEUR (Foreign Trade Department) and the OFFICE INDO-CHINOIS DES CHANGES (Exchange Control Office) to accept that certain products of the second zone that could not be exported in hard currencies might be exchanged against other products lacking in Indochina.

Under those conditions, it is easy to

understand that the compensated exchanges must be limited regarding the nature and the importance of the products admitted:—

(1) at the export, to the products non-exportable in currencies, taking into account that their rise in price risks of developing their production to the detriment of that of goods exportable in currencies or necessary to consumption.

(2) at the import, to few products which have a recognized utility without possibility of including them in the import plan.

The Permanent Commission of Domestic and Foreign Exchanges in Saigon has admitted up to the present the compensated exchange on the basis of simple barter of the imported goods compensating exactly in value the exported goods.

This formula has shown itself a little summary in the use, since it was permitting the dealers to realise excessive benefits which were financed by currency holdings of Indochina, i.e. of the French Union.

The DIRECTION DU COMMERCE EXTERIEUR thought it would be equitable to oblige the interested parties to repatriate a certain percentage of the currencies which exportation procures them; these proceedings being in force in Tonkin since many months. If this deduction in currency, variable according to the elements of the proposed operation, limits the importation, it has the advantage to also limit the benefits.

Furthermore, it is not contrary to the principal of compensated exchanges: it is the partial return to the rules of general interests as they have been defined above.

The economy of the new regime is the following: The products admitted at the importation in compensated exchange are classified in two categories:—

Category A involves the goods whose importation does not require any repatriation of currency but are placed under control at the arrival.

They are:—

Milk	
Powdered cream	
Butter	
Cheese	
Cigarettes and cigars	
Tobacco leaves	
Sewing thread	
Ready-made bed sheets	
Sewing machines	
Nitrate fertilizers	
Tin plate	
Corrugated, galvanized plates	
Ropes of all kinds	
Typewriters	
Calculating machines	
Duplicating machines	
Transmission belts	
Carbon black	
Sanitary installation apparatus	
Malt	
Hops	
Round stoppers	
Frigidaires and accessories	
Calcium chloride	
Sodium hydrosulfide	
Matches	
Gunnies and jute textiles	

Linen

Rick cloth

Sail cloth

Ramie yarn

Fishing nets

Natural camphor

Menthol

Parafin

Furthermore any equipment material mentioned in the plan of the Commission.

The supply of the community will be assured in the most advantageous manner when the competition between the dealers becomes closer. That is why the different sub-commissions will have interest to group the proposal on the same product at a given date after the tenders to determine the best offer.

Category B involves the goods whose importation is subjected to partial repatriation of currency. These products are:—

HONGKONG STOCK & SHARE MARKET

Staging its first rally since September 6, the market, during the week, Oct. 18 to Oct. 22, gave a better account of itself. After declining on Tuesday to new lows for the year prices of popular trading counters, led by Hong Kong Electrics, recovered sharply on improved volume.

The improvement was well sustained up to the close of trading for the week, and signs were not lacking that it would extend. It may prove to be the beginning of a complete reversal of trend. Observers are inclined towards this view, and cite many factors in support. The main ones being:—

1. Easing of the Berlin tension, and prospects for better relations between the Great Powers

2. The favourable Hongkong trade balance of \$16 millions for the month of September. For the first time in its history the Colony's exports exceeded imports.

3. The flow into China of raw materials to the value of \$100 millions represented by stocks bottled up here and which had been exercising a depressing influence on local markets for the past 1½ years.

4. The approach of the dividend paying period for account of the current year's working. The first announcement will be that of the China Light & Power Co. Ltd. which will be made about the end of November or early December.

5. The attractive yield obtainable at current price level.

The above factors have definitely brightened the overall picture of the market. They outweigh all adverse ones, and their importance cannot be too strongly stressed.

Total sales reported amounted to 79,095 shares of an approximate value

of \$2 millions, an increase of \$1½ millions compared with the previous week.

The Felix Ellis price Index based on the closing prices of twelve representative active local stocks dipped to a new low of 136.70, but recovered 1.78 to close at 138.48, a net change of .95 compared with the previous week's close. Day-by-day averages were: Oct. 18, 137.23; Oct. 19, 136.70; Oct. 20, 137.88; Oct. 21, 138.41; Oct. 22, 138.48. The High and Low for 1947 were 155.82 and 123.88 respectively. The High for 1948 was 148.68 and the Low was 136.70 on October 19th.

Business Done

H.K. GOVT. LOANS: 3½% (1948) @ Par Plus Interest 100.

BANKS: H.K. Banks @ 1980, 1975.

DOCKS & GODOWNS: H.K. & K. Wharves (Old) @ 130 and New @ 126;

H.K. Docks @ 27, 26½, 28, 28½, 29, 29½, 29.70, 29.60.

HOTELS & LANDS: H.K. Hotels @ 13.90, 14, 13.70, 14, 14.40, 15, 14.90, 14.80, 14.70; Lands @ 64½, 66, 68; S'hai Lands @ 5.90, 5.85, 6, 5.95, 5.90; Humphreys Rts @ 5, 5½.

UTILITIES: Trams @ 19, 18½, 19, 19½, 19½, 19.70, 20, 20.10, 20.20, 2014, 20, 20½, 20, 20½, 20, 19.80; Star Ferries @ 126; C. Lights Old @ 20, 20.60, 20.70, 21, 21.20, 21; (N) (F. Pd) @ 21, 20½; H.K. Electrics @ 35½, 35, 33½, 34½, 35, 35½, 36½, 37½, 38, 37½, 37.

INDUSTRIALS: Cements @ 36, 37½, 38½, 38½, 38½, 39, 39½, 39½, H.K. Ropes @ 19; Dairy Farm Old @ 41, 40½, 42, 43, 43½ and New @ 40, 41½; Watsons Old @ 54, 55, 56½ and New @ 50½, 51, 51½, 52, 53.

STORES: China Emporium @ 9½.

COTTONS: Ewo @ 16½, 16½, 16, 16½.

RUBBER, etc. COMPANIES: Tanah Merahs @ .90.

REPORTS FROM SINGAPORE & MALAYA

(BY OUR MALAYAN CORRESPONDENT)

LABOUR CONDITIONS IN SINGAPORE

An interesting Government report was issued during the past week. It is the annual report of the labour department for the year 1937 which has been prepared by Mr. R. P. Bingham, Malayan Civil Service, who is now Commissioner for Labour. This report should be read by all those who are interested in the condition of labour in the Colony. In many Singapore industries, Mr. Bingham says, the labourers are much better off than the labourers in the United Kingdom. Unions in Singapore which base their claims on conditions in the United Kingdom fail to realise that the British workman has to buy winter coal, warm clothes and boots for himself and his family, and often has to pay income tax. It is arguable, Mr. Bingham says, that the average Singapore workman in commercial employment with his weekly earnings of at least £4 (including the value of free food where given, but excluding overtime earnings), plus his other benefits, is as well off as the British workman. This is in spite of the high price of rice.

But the comparison of earnings received by individuals is not a fair comparison unless their output is also compared. The output per man in Singapore is much lower than in the United Kingdom, not only on account of the fact that Singapore is near the equator, but also because much work is done without the aid of machines. Mr. Bingham says that the average weekly earnings by workmen in the United Kingdom, including overtime, was £6 3s. 5d. But in considering wages, adds Mr. Bingham, benefits other than wages must also be considered. Union leaders in Singapore argue that the British workman, with his unemployment, accident and sick pay, is very much better off than the labourer in Singapore. In doing so they forget

that in the United Kingdom these benefits are paid for in part at least, by the workman himself.

In Singapore there is no social insurance; the burden which in the United Kingdom falls jointly on the workman, the employer and the State, tends in Singapore to fall on the employer alone. Mr. Bingham says that of 374 employers in Singapore employing 24,584 labourers, returns were received showing that 30 per cent. gave free housing, 24 per cent. gave free food, 56 per cent gave free paid sick leave and 66 per cent gave free medical treatment. Holidays with pay (six or more days per year) were given by between 70 and 80 per cent of these employers.

All these benefits were given by the employer alone, and, in addition, there were Workmen's Compensation benefits and maternity benefits, the total cost of which also falls on the employer.

This being the position, Mr. Bingham says, the Unions can hardly be expected to welcome the introduction of social insurance which would mean that their members would have to pay part of the cost of something they now get free from their employers. In Singapore, too, time and a half is paid for overtime after eight hours a day, and double pay is given for work on Sundays.

RUBBER PLANTATIONS

At the end of 1947 Malaya, including Singapore, had 3,344,252 acres planted with rubber, compared with 3,248,642 acres at the end of 1946. This information is contained in a book of statistics recently issued by the Federal Statistics Department. During the Japanese occupation period, January 1942 to September 1945, 131,099 acres of rubber were destroyed by the Japanese or

Ham
Plastic material for raincoats
Linen yarn for lace
Cotton yarn for knitting
Nylon bristles for brushes
Handkerchiefs
Needles
Sporting goods
Thermos bottles
Lamp mantles
Asiatic china "de luxe"
Wrapping paper
Cardboard and bristles
Medicinal plants
Dehydrated vegetables (dessicated)
Oleaginous seeds (reserved)
Tea "de luxe"
Chinese cigarette paper
Kerosene and petrol lamps
Dry areca nuts

This new system, which, in fact, results for Indo-China in acquiring a certain quantity of currency coming from the export of its products proves to be an advantage. Far from retarding the commercial current it gives it a new activity, in so far as it reestablishes, by the free sale of imported products, with repatriation of currency, the free competition which will normally bring a sensible fall in prices.

under their instructions. This destruction was undertaken mainly to provide areas on which to grow food.

The labour force employed on estates at the end of 1947 totalled 289,177, of which 942 were employed on estates in Singapore. Indian labour predominated in the Federation with a total of 150,927 men, women and children. Chinese labour employed totalled 78,638.

BORNEO OIL DEVELOPMENT

Seria, in the State of Brunei, Borneo, is likely to become the Empire's largest oilfield. Considerable development has taken place there since the reoccupation and the area is already producing on a large scale. An entirely new town, which will be the capital city of the British oil-producing industry in Asia, is to be built and between 500 and 1,000 houses, for European and Asiatic employees are planned.

Sir Godfrey Mitchell, chairman of Wimpey and Co. Ltd., civil engineers and contractors, who constructed many of the large airfields in Britain during the war, is now in Singapore en route to Seria where he will go into the question of building this new town. Many British employees of that company are already at Seria and more are on their way. The scheme will take several years to complete and will call for huge quantities of building materials all of which, with the exception of some timber, will have to be imported.

TIN-ORE IMPORTS & SMELTING

An indication of the extent to which the Colony tin-smelting industry has suffered as a result of the virtual cessation of imports of tin-ore from Indonesia, the former Netherlands Indies, and Siam is contained in the latest statistics issued by the Registrar of Statistics last week. These statistics show that imports of tin-ore in September totalled 499 tons, compared with 367 tons in August, bringing the cumulative total for the nine months of the year to 3,449 tons, compared with 3,525 tons in the corresponding period of 1947 and 43,918 tons in the corresponding period of 1941. Of the September imports, 289 tons came from Burma and 210 tons from Siam.

The reason for the disappearance of tin-ore from the Netherlands Indies is the fact that the entire production of tin-ore from that territory is now shipped as ore and smelted in Holland.

Imports from Siam have fallen mainly because ore from mines in Siam is now sold as ore, and shipped in that form, to the United States of America for smelting at the U.S. government-subsidised smelter in Texas. The United States is paying slightly higher prices for that ore than would accrue to producers if the ore came to British territory for smelting as the resultant tin metal has to be sold at a fixed price. Another reason for the sale and shipment to the United States is the fact that the Siamese Government now permits producers to obtain fifty per cent of the American currency thus produced, for disposal as they think fit, while the remaining fifty per cent is subject to disposal as dictated by the Government. Hitherto the total proceeds of sales of commodities to the United States were subject to Government control.

RUBBER TRADE

Imports of rubber into Malaya during September totalled 27,126 tons, compared with 27,377 tons in August, bringing the cumulative total for the nine months of this year to 226,734 tons, compared with 236,654 tons in the corresponding period of 1947.

Of the September imports, 18,151 tons came from Sumatra; 3,046 tons from Sarawak; 1,575 tons from Java and 1,514 tons from Borneo. Of the monthly imports into Malaya about half is in a form ready for grading, marketing and shipping and the remaining half is lower grade or wet rubber requiring remilling in Singapore.

Stocks of rubber in the hands of dealers throughout Malaya at the end of business on September 30 totalled 59,669 tons, compared with 61,824 tons at the end of August. Stocks at ports awaiting shipment at the end of September totalled 20,262 tons, compared with 20,861 tons at the end of August.

As reported in last week's issue of the *Far Eastern Economic Review*, shipments during September totalled 89,786 tons, compared with 88,500 tons in August. The figures for September production are not yet available but it is estimated that the August figure of about 56,000 tons will be maintained.

DIFFERENCES REGARDING PROVISIONS FOR INCOME TAX

At the annual meeting of Fraser and Neave Ltd., who manufacture aerated waters, and also act as managing

agents for Malaya's only brewery, Malayan Breweries Ltd., a shareholder criticised the directors' policy of publishing the annual accounts without disclosing the amount the company had reserved for payment of income-tax. As stated in our issue of last week (page 393), the company's accounts show that the provision for income tax was charged before the net profit shown in the profit and loss account was brought forward, suggesting that the provision for taxation was treated as a charge against profits instead of the usual manner in showing it as a disposal of profit.

This unusual procedure was also followed by Robinson and Co. Ltd., in its accounts for the year ended June 30 which were adopted at the annual meeting on Oct. 2.

The chairman of Fraser and Neave Ltd. is Mr. Robert Burns, senior partner in the chartered accountancy firm of Evatt and Co., and he is also acting chairman of Robinson and Co. Ltd. He informed the shareholder that the policy of treating income tax provision in the manner shown in the accounts was only a temporary policy and that in future the amounts set aside for taxation purposes would be shown in the usual way.

HIGHER CAPITAL OF DEPARTMENT STORES

Robinson and Co. Ltd., who own department stores in Singapore and Kuala Lumpur, is to raise its issued capital by 50,000 ordinary shares of \$5 each. The new shares are to be issued at par for cash in the proportion of one new share for every three shares already held by holders registered on Oct. 2. When the new issue is completed the Company's capital structure will be:—50,000 six per cent cumulative preference shares of \$5 each; 50,000 eight per cent second cumulative preference shares of \$10 each and 250,000 ordinary shares of \$5 each. All the shares will then be issued and fully paid.

The directors say that the new issue is being made "to reduce the need to borrow and to bring the capital more into line with the increased activity of the company."

The directors' decision was notified to shareholders on Oct. 12 and the share market generally was not at all pleased that the issue is to be made to holders registered on Oct. 2, since when the market has been active. The directors say that their decision was made

JAPANESE INDUSTRIAL REPORTS

BICYCLE INDUSTRY

With 14 bicycle manufacturers having resumed their own business and 15 former munition companies having converted to this peacetime line Japan's bicycle industry is restored to 70-80 per cent of the pre-war level in capacity, and its annual output capacity is estimated at 2,000,000 units, including parts and accessories. When the industry was at its peak around 1934-37, the annual production was estimated at 3,000,000 units, of which two-thirds for domestic consumption and one-third exported.

The bicycle industry was hard hit by the War. The output of assembled bicycles dropped from 185,000 units in 1941 to 70,000 in 1943 and 20,000 in 1945, because the production of bicycles for civilian use was restricted. Along with lethargy in production, exports also suffered. In the first years of the War, about 1,000 bicycles were shipped abroad, but the figure was reduced to nil at the close of the war. Before 1937 (when the China Incident broke out) China was the largest market for Japanese bicycles, followed by the South Sea areas and Manchuria. After 1938 Manchuria and Kwantung Leased Territory bought the largest amount.

In spite of the remarkable postwar rehabilitation the output of assembled units is small. In 1945, only 95,580 units were turned out, 3,000 units a month on the average. But the monthly production reached the 10,000 units level in August 1946, and it now ranges around 20,000, including only those which were manufactured and sold through legitimate channels. Bicycle makers put part of their manufactures on the black market in order to make both ends meet. Such illegal transactions are estimated at 30,000 units a month. The actual output at present runs up to 50,000 units a month.

Since the war's end there has been no tangible export of Japan-made bicycles. The 1947 trade program was aimed at exporting 100,000 units, but only one-fifth of this goal was attained. But bicycle exports will increase in the future because arrangements have been made for sufficient allotment of needed materials and funds, and because both Government

on Oct. 4 but no public announcement was made and as the registers were closed from Sept. 20 to Oct. 2 (both days inclusive) the new issue will be made to shareholders registered on Sept. 19. The company ended its financial year on June 30 and a dividend of 25 per cent. on the ordinary shares was approved by the annual meeting on Oct. 2. The dividend was paid, less tax. The dividends on the preference shares are up-to-date.

and private interests are concentrating efforts upon furtherance of bicycle exports.

Britain will emerge as a strong competitor in the East Asiatic markets. In 1946, Britain manufactured 2,500,000 bicycles, of which about 66 per cent was shipped abroad. Major destinations in that year were France, the Netherlands, Norway and Denmark, but shipments to the South Sea countries have picked up recently.

There are many other bottlenecks in bicycle trade. (1) In pre-war years Japanese makers were provided with superior rolled steel, so their production cost was lower than that of foreign competitors. The reverse is now the case. (2) Cheap labour is no longer available in post-war Japan unlike pre-war years. (3) Lack of crude rubber is likely to affect the quality of bicycles. (4) If all bicycle plants were operated in full, about 200,000 units could be manufactured a month. Due to the dearth of needed materials actual output comprises only 20-30 per cent of capacity.

Japanese makers appear to be convinced that they are well able to compete with foreign interests on the world markets if the exchange conversion rate is kept at Y300 per dollar.

Demand for bicycles in Far Eastern countries is active, and Japanese workers are particularly qualified for bicycle making. In 1935, total export was 458,594 units, of which 382,400 units went to Asia, 4,700 to Europe, 26,000 to Central and South America, 44,500 to Africa and 800 to Oceania.

Leading bicycle companies are as follows:

(A) Those manufacturing since pre-war years: Miyata Seisakusho, Okamoto Kogyo, Dai Nippon Kikai, Toa Jitensha, Karasuyama Seisakusho, Zebra Kogyo, Chubu Nippon Jitensha, Amatsuji Kokyu, Shimano Jitensha Kogyo, Tanaka Spoke and Toto Seimitsu Kogyo.

(B) Those newly entering this field after war's end: Nippon Kinzoku Sangyo, Fuji Sangyo, Katakura Kogyo, Karaya Seisakusho, Nippon Swift, Daido Seiko, Fujikoshi Kozai, Handa Kinzoku, Daiwa Boseki, Izumi Kogyo, Nakanishi Kinzoku Kogyo, Nakayama Taiyodo, Takasago Tekkosho, Nishi Nippon Jitensha.

Among these companies Miyata, Okamoto and Dai Nippon are concentrating efforts upon manufacture of export bicycles. In the (B) group the most enterprising in this field are Nippon Kinzoku Sangyo, Nakayama Taiyodo, and Takasago Tekkosho. The best-known trade marks are the "Mister" the "Eclair."

MATCH INDUSTRY

Although the greater part of Japan's match producing capacity was destroyed by the War, rehabilitation of

the industry has been so rapid that enough is now produced to provide each Japanese with five matches per day. This is an output equivalent to 18,283 match tons per month.

The production increase began about the middle of 1947; and it can be said to have been the result of well-prepared planning in connection with both materials and funds for stepping up production.

MONTHLY MATCH PRODUCTION

(In match tons)

May 1947	16,543
June	11,064
July	17,566
August	16,573
September	17,748
October	18,035
November	16,509
December	17,099
January, 1948	14,720
February	17,494
March	19,596

If rehabilitation progresses in this way it may not be impossible to realize after April 1948 output enough to provide each Japanese with six matches daily (21,939 match tons per month).

Since the rated capacity is 40,000 match tons per month, there is not much anxiety on that score; but with materials and supplies, the situation is not entirely rosy. The difficulties in obtaining glue and paraffin are increasing; for since dependence on domestic production or stockpiles are out of the question, importation must be resorted to. Substitutes have been tried out, but as with the pinewood matchsticks which in themselves are substitutes for lime trees, aspen and poplar, they are strictly "ersatz".

There has been no noteworthy trend in match exports since the War's end: the only shipments have been to date 3,000 match tons to Korea at the end of 1946; and 500 match tons each to French Indo-China and Singapore in April and September, 1947 respectively. Future export destinations will no doubt be the Southwest Pacific areas and the Near East, but if exports are to be promoted as they were in the past, the prerequisite will be improvement in quality.

Match manufacturers are concentrated in Kobe and its vicinity, and leading export match makers are: Nissan Norin K. K., Otani Match Seizosho K. K., Kogyogumi K. K., and Daito Match K. K. The Nippon Boeki K. K. is the only exporter now handling matches.

FROZEN FISH

The frozen bonito and tuna, known as "sea chick," are greatly prized in America; they have been replacing the canned fish as the topmost marine products for export. With the reopening of private trade in August 1947 negotiations for their export

began. Since then 150,000 lbs. of frozen swordfish, valued at approximately Y. 9,000,000, had been exported to U.S.A. up to December last year. And this year saw the export of the same fish to U.S.A. during the period from January to April, totalling 965,000 lbs., valued approximately at yen 55,900,000. Consequently, the total quantity of the export of this fish from August last year to April this year ran up to 1,115,000 lbs., and valued approximately at Y. 64,910,000. This amount represents 8 per cent of the total value of exported fishery products during the same period, Y. 781,000,000—the amount which brings swordfish to the 6th place on the list, following whale oil, agar-agar, ligaments, dried cuttlefish and dried abalones. Besides these, 207,000 lbs. of frozen sundry fish and shelffish Y. 1,200,000 in value, was exported last year.

Exports of frozen fish from August last year to April this year consisted almost exclusively of swordfish. In the 1948 export plan since April the bonito and albacore have been also included, and these fish have come to occupy the leading places in the plan in terms of value.

The planned export quantity of frozen marine products for this year consist of 300 tons of frog legs, 150 tons of scallop ligaments, 1,500 tons of swordfish, 3,500 tons of albacore, 2,000 tons of bonitos, 1,030 tons of fish livers and 500 tons of sundry fish, totalling 88,980 tons.

With regard to the planned export quantities of the swordfish, albacore and bonito, questions have been raised in view of the food situation at home. It is true that, since bonito and tuna catches last year were 42,000 tons and 23,000 tons respectively, the planned export quantities make up 10 per cent of the total hauls. However, as the catches this year are expected to increase to 103,000 tons by the increased supply of fishing equipment, the planned export quantities will be 6 per cent.

Market prices in the U.S.A. \$600 per ton for swordfish, \$480 for albacore, and \$290 for bonito. On the basis of these figures, with the yen-dollar conversion rate estimated at Y.200 for \$1, net prices per kan, subtracting \$62 for costs on sea per ton, will be estimated somewhat as follows:

Official	
Net price home price	
(In yen)	(In yen)

Albacore	345	136
Swordfish	445	185
Bonito	188	127

From the profit point of view the export of the bonito does not pay so much as those of swordfish and albacore. They are export items sufficiently profitable even if higher costs in future are taken into account.

WATCHES AND CLOCKS

Export contracts for watches and clocks since the reopening of private

trade amounted to US\$120,000. The quantity exported and covered by contracts from January 1 to June 15 was 97,500, alarm clocks heading the list with 75 per cent, the balance comprising wall clocks, wrist watches, table clocks and watches following in order. This figure is insignificant as compared with the 1937 figure of 1,842,000.

The destinations are the Netherlands East Indies, Singapore, Hongkong, the Philippines, the U.S.A. and Siam. The Netherlands Indies tops the list with 59 per cent of the total export, followed by Singapore with 23 per cent and Hongkong with 19 per cent. The export to U.S.A. comprises 3,000 Hattori alarm clocks in New York.

In addition, negotiations are being made, between Indian buyers and Hattori and Meiji each amounting to £20,000, thus brightening the prospects of the export to the sterling area countries.

Exports of Watches and Clocks Classified by Countries

(January 1—June 15, 1948)

(In pieces)

Netherlands East Indies	57,406
Alarm clocks	52,320
Wall clocks	4,086
Wrist watches	1,000
Singapore	23,346
Alarm clocks	15,436
Wall clocks	5,060
Wrist watches	640
Table clocks	510
Watches	1,700
Hongkong	10,722
Alarm clocks	5,140
Wall clocks	1,170
Table clocks	2,440
Wrist watches	1,752
Watches	220
Philippines	2,024
Wall clocks	2,000
Wrist watches	24
U.S.A.	3,480
Alarm clocks	3,480
Siam	583
Wall clocks	540
Watches	48
Totals by kinds	
Alarm clocks	76,376
Wall clocks	12,856
Table clocks	2,950
Wrist watches	3,416
Watches	1,968
Grand total	97,566

Classified by makers, Hattori is seen to have topped the list, with 62 cent of the total, Meiji, Tokyo, and Eikosha following with approximately 3.4 per cent each.

The output of watches and clocks since the termination of the war has grown steadily, recently attaining a monthly production of some 150,000. The demand, however, has been on the decline, with the dwindling of purchasing power, consequently all makers have been obliged to turn to exports.

Current export prices according to the yen-dollar conversion rate are Y.190 and Y.240 for an alarm clock of Hattori or Eikosha make and of Tokyo Tokei make respectively; Y.120-Y.130 for a Hattori wall clock; around Y.180 for a Hattori or Citizen wrist watch; and Y.330-Y.340 for a marble-table clock. The average price in terms of the conversion rate in Y.230-250, the maximum being around Y.350.

Exports of Watches and Clocks Classified by Makers

(January 1—June 15, 1948)

(In pieces)

Hattori Tokei	
Alarm clocks	66,010
Wall clocks	10,874
Table clocks	1,300
Wrist watches	1,115
Watches	1,968
Meiji Tokei	
Alarm clocks	3,200
Wall clocks	500
Eikosha	
Alarm clocks	3,050
Tokyo Tokei	
Alarm clocks	1,856
Table clocks	1,250
Toyo Tokei	
Alarm clocks	560
Table clocks	400
Wrist watches	1,000
Citizen	
Wrist watches	860
Eikeisha	
Wall clocks	780
Dainippon Tokei	
Wrist watches	440
Aichi Tokei	
Wall clocks	300
Nippon Tokei	
Wall clocks	300
Sato	
Wall clocks	102
Minami Boeki	
Alarm clocks	1,000
Pilot	
Alarm clocks	700

SEWING MACHINES

The Economic Stabilisation Board export plan for sewing machines during 1948 calls for the shipment of 20,000 units. The post-war figures for sewing machine exports are: actual shipment—2,017 units; deliveries to government export agency—1,900 units; sewing machine parts—23,480 pcs.; sewing machine needles—660 gross, aggregation Y.24,000,000 in value. The principal destination for the above shipments is Shanghai, while purchases have been made by Hongkong and French-Indo-China. Sewing machine parts and needles have been shipped to Korea.

The reasons given for the poor export results are: dollar shortages in foreign markets, scarcity of sewing machine specialists among the overseas buyers coming to Japan, and the excessively high dollar-pricing of the export machines. However, with the last difficulty improvement has been

effected by slashing the price of Mitsubishi sewing machines to US\$40 each and others to \$30.

Export contracts concluded during the April-June period of this year covered 2,600 units; while negotiations were under way for a further 10,000. Numerous inquiries are coming in, so it is expected that the export goal of 20,000 units for this year will be attained. Markets now include North and South America, the Far East and India; but exports to China are being hampered by the unsettled conditions in China.

Estimated production of sewing machines during 1948 is set at 270,000 units; an average of 23,000 per month.

Monthly Output of Sewing Machines: 1948

(in units)

	Household	Industrial	Total
January ..	7,815	665	8,480
February ..	9,205	649	9,850
March ..	12,272	589	12,859
April ..	13,486	658	14,114
May ..	13,246	630	13,876
June ..	—	—	15,000

Production topped 90,000 mark in 1947 and surpassed the pre-war peak of 77,000 units in 1940. Results therefore can be considered good.

The official prices for sewing machines have remained unchanged since the overall price revision of August last year; a household machine retails at yen 8,025. But since at these prices, inferior makers are favored and superior products fail to break even, there is a strong demand for price revision. Nevertheless there has been no falling off in the sales of superior articles.

Leading Sewing Machine Makers

(In units per month)

	Capacity	Recent Output
Harada Seisakujo ..	1,300	1,000
Asahma Kiki Kogyo ..	800	600
Teikoku Sewing Machine ..	2,000	1,500
Nihon Seiko*	1,700	1,400
Ishikawajima-Shibaura Turbine*	1,000	700
Ishii Seimitsu Kogyo*	500	300
Tokyo Juki Kogyo*	1,000	600
Tsugami Seisakujo*	1,500	800-900
Nihon Sewing Machine	1,800	1,300
Aichi Kogyo*	800	500
Fuji Sangyo*	800	700
Mitsubishi Denki	2,000	1,300
Fukusuke Tabi	800	600
Asahi Sewing Machine	600	400
Fuji Sewing Machine	500	300
Peace Sewing Machine*	500	300

*Converted manufacturers.

The long-established Teikoku, Mitsubishi Denki, Nihon and Harada Seisakujo continue to hold top places; but among the post-war newcomers, Nihon Seiko, Ishikawajima-Shibaura Turbine, Tsugami Seisakujo and Tokyo Juki

Kogyo are challenging the lead. The rapid increase in output is largely due to the installation and expansion of capacity by the newcomers, whose remarkable progress is indicated by the fact that their combined output has now become fully two thirds of that of the older makers.

ELECTRIC BULBS

Approximately 2,000,000 large and medium-sized electric bulbs, as well as ordinary bulbs used at home for lighting purposes, have been shipped since the war's end, chiefly to Korea and Formosa.

The comparative high price of these export bulbs is a deterrent. The export price of the bulbs (60W) shipped to Korea and Formosa was seven US cents each (f.o.b.), which is high compared with the retail price of 12 cents on American markets. It has therefore been decided to bring the export price of a 60W bulb down to f.o.b. five cents, a price regarded as reasonable enough to stimulate customers in Hongkong, the Netherlands East Indies, Siam, China, etc.

This lowering of quotation in dollars brings up a consideration of export conversion rate. Five cents for a 60W bulb means a rate of about Y.500 per dollar, which in turn means extra efforts on the part of producers to cut the cost price. This is a hurdle to this line of export.

OUTPUT OF ELECTRIC BULBS (In 1,000 pieces)

	For home consumption	Special household	large-sized	medium-sized
January ..	9,990	856	389	
February ..	11,961	644	264	
March ..	13,720	668	325	
April ..	11,019	520	273	
May ..	11,626	542	406	
<i>For export</i>				
January ..	789	—	8	
February ..	265	—	100	
March ..	1	—	857	
April ..	—	—	—	
May ..	15	—	1,315	

Japan's electric bulb production has lately been satisfactory with a monthly output of from 11,000,000 to 14,000,000. The home demand for bulbs for household use is estimated as from 10,000,000 to 12,000,000 monthly. A stage has been reached where home requirements can be met. The fact that some bulbs bearing no marks are being sold under official prices speaks eloquently of the recent boost in bulb production.

OUTPUT BY PRINCIPAL MAKERS (Bulbs for household use)

Name of Company	April	May
Tokyo Shibaura ..	1,558,728	1,365,761
Toko Denki	1,182,796	1,285,786
Matsushita Denki	884,077	902,730
Toki Denki	386,596	460,915

Teikoku	469,845	451,822
Showa Shinku ..	511,872	429,923
Toto Denkyu ..	380,000	335,000
Nippon Denkyu ..	321,400	317,240
Fuji	341,606	267,006
Chubu Denkyu ..	105,000	260,000
Daito Denkyu ..	345,000	220,000
Hitachi Seisaku ..	282,630	218,538

SHEET GLASS AND GLASSWARE

There are at present five principal sheet glass plants in operation. The Makiyama plant (Fukuoka prefecture), Amagasaki plant (Hyogo prefecture), and Tsurumi plant (Kanagawa prefecture) belong to the (Mitsubishi Kasei K.K., while the Yokkaichi plant (Aichi prefecture) and Futsushima plant (Fukuoka prefecture) are run by the Nippon Itagarasu K.K. Of these factories, the one at Amagasaki produces sheet glass for export. This plant resumed operations in October 1947, using heavy oil as fuel. A portion of the output of the Yokkaichi plant has also been shipped abroad.

Like Belgium, pre-war Japan was a reputed exporter of sheet glass of superior quality. But due to the war damage done to the plants, the export of sheet glass has not as yet come back into its own. Of the 1947 output of about 1,500,000 cases, only about 300,000 cases were exported. Things have improved to some extent this year. Something like 1,000,000 tons have already been shipped, mainly to Manila, Hongkong and Singapore.

As an export article glassware has a better prospect than sheet glass. There are more glassware makers. There are some 47 plants for export glassware; namely, 3 in Tohoku area, 17 in the Kanto area, 21 in the Kansai, 3 in the Tokai area and 3 in Kyushu.

Made-in-Japan glassware is fairly rich in variety, including among other things beer bottles, thermos, wine glasses, glass covers, imitation glass jewelry, tableware and cut-glass. Since January 1948 a total of 22,000,000 dz. or Y.158,000,000 in value has been exported. Tableware, tumblers, and perfume sprays have been shipped to the United States, Canada, Singapore and the Netherlands East Indies; reflectors to Java; and syringes to Canada and the United States.

RAYON FABRICS

Close on the heels of rayon yarn manufacture, Japan's rayon fabrics industry showed remarkable development after the mid-twenties, and reached peak output in 1937 with a production record of 1,034 million sq. yards. Rayon yarn production in that year was 335 million pounds, making Japan the largest producer in the world. The outbreak of hostilities in China however had adverse effects, and the outputs for the three subsequent years never exceeded 600 million sq. yards in fabrics. The War brought about a further decline to only some 67 million sq. yards in 1944.

Pre-war exports of Japanese rayon fabrics took up almost the entire output, as for instance in 1936, when the largest annual shipment was handled, the exported 622 million sq. yards comprised 67 per cent of total production. However, rayon fabrics in these post-war days are in a miserable state; for output in 1945 was only 6 million sq. yards, 42 million sq. yards in 1946, and 46 million sq. yards in 1947. Despite this slight recovery, production is still below the 1929 figure of 124 million sq. yards when manufacture was undertaken for the first time. Production this year has been on the uptrend with the 1,721,000 sq. yards in January improved to 2,847,000 sq. yards in March, but quantitatively speaking results are far from promising. The chief cause is inactivity of the rayon yarn industry. But the export quotas for rayon were 400,000 pounds for January 1948, 660,000 pounds for February and March, and 745,000 pounds for April; so there is a definite rise in output which together with the satisfactory procurement of funds gives rise to some optimism, depending of course on recovery of foreign markets.

POST-WAR OUTPUT IN RAYON FABRICS
(In 1,000 sq. yards)

1945	6,190
1946	42,156
1947	46,232
January 1948	1,721
February	2,246
March	2,847

In February 1947 the first post-war overseas shipments of rayon fabrics, aggregating a million sq. yards, were made to Hongkong and the Netherlands East Indies. The subsequent export record has been good.

POST-WAR EXPORT OF RAYON FABRICS

	Quantity (In 1,000 sq. yd.)	Value (In Y. 1,000)
1947	3,733	49,839
January 1948	1,169	19,403
February	457	5,162
March	1,002	15,896
April	2,280	43,179
May	171	5,815
Total	9,043	146,254

As in pre-war days, the exports are destined mainly for Hongkong and the Southwest Pacific markets. One feature of rayon fabrics is that prices suit the peoples of the Southwest Pacific area; and since pound sterling and barter settlements have become possible, the outlook is promising.

The majority of rayon fabric manufacturers belong to the medium and minor classes of enterprise, and they are mostly located in Fukui and Ishikawa prefectures. Of the numerous export merchants dealing in rayon fabrics, Horikoshi Shokai and Nozawa-Gumi are representatives.

THE TEA INDUSTRY

Post-war export of Japanese tea commenced in 1946, with shipments amounting to 9,646,000 pounds in bulk and Y.243 million in value. In the following year 1947, the volume declined to 7,810,000 pounds in weight but rose to Y.410 million in value. The destinations were Africa, taking 4 million pounds, United States, purchasing 3 million pounds, and others. For this fiscal year (1948), some 8 million pounds of tea are expected to be shipped overseas.

The best pre-war record is the 55 million pounds shipped out during 1939. Shipments declined with the outbreak of hostilities in various parts of the world until, in 1942, the volume dropped to only 15 million pounds. It will thus be seen that the exports for 1947 were less pre-war shipments, and only one seventh of the 1939 figure. There are two factors making for this sharp decline in export volume: one is low production, and the other is unfavorable conditions in foreign markets.

The main reason for the falling off of production to only 40 million pounds of leaf tea—approximately one third of pre-war output—is the wartime adjustment effected in tea plantation acreage. The area planted to tea in 1947 totalled only 30,447 chobu against the pre-war (1940-41 average) 40,745 chobu. But although the simplest method of increasing production would be to restore this diminished acreage, the current food situation renders this extremely difficult. Yet, it should be possible with increased supplies of fertilizer and manpower to raise the yield considerably because the post-war pickings per tan average only 199 pounds as against the pre-war average of 364 pounds. Currently, there appears to be no deficiency in processing plant capacity although with the total loss of the factories in the Shizuoka area one half of Japan's tea-processing capacity was destroyed. But with a certain amount of rehabilitation, and with the present shortage of leaf tea, no major difficulty is being encountered; and not more than 40 per cent of the available capacity is being utilized.

With the foreign market problem, the foremost setback is the cessation of shipments to China, which in pre-war days amounted to about 14 million pounds annually. Then there is very little hope for exports to Germany and Italy in the European market which formerly imported some 4 million pounds of Japanese tea each year.

Delivery quotas of leaf tea for export are designated by the Ministry of Agriculture and Forestry through the prefectural governments. The allocations for the year 1948 covering deliveries of some 12,390,000 pounds of leaf tea (enough for 8 million pounds of processed export tea) are as follows: Shizuoka-Ken, 9,912,000 pounds; Miyazaki-Ken, 165,200 pounds;

Kagoshima-Ken, 247,800 pounds; Kyoto-Fu 413,000 pounds; plus others. Shizuoka-Ken has been allocated the biggest export quota, but this prefecture is predominantly in the lead in tea production, at 80 per cent of the nation's aggregate.

Recently, tea exports have been turned over to private hands. The procedure therefore is that the processors are now permitted to take delivery of leaf tea directly from tea growers. Although with the abolition of the official price ceilings on tea, a rise in the quotations was expected, this has not occurred because of the fertilizer rations granted to suppliers of export leaf, and this newly adopted measure has had a suppressive effect in the price of tea for domestic consumption.

Most tea traders are also processors and are usually able to conclude contracts freely with foreign buyers.

Currently, the most serious setback suffered by both processors and exporters is the inability to obtain funds; for neither the Board of Trade (Boekiicho) nor the Foreign Trade Corporation will assist in financing processors who must tie up capital from the time of leaf tea purchase to the completion of the export product.

Japan Tea Export Price List

(Per pound, as of May 18, 1948)

Grade	Minimum Dollar Price	Yen f.o.b. Price
Pan Fired No. 1	0.38	106.40
" 2	0.355	97.40
" 3	0.33	92.40
" 4	0.31	86.80
" 5	0.30	84.00
" 6	0.29	81.20
" 7	0.275	77.00
" 8	0.26	72.80
Leaf Natural No. 1	0.41	114.80
" 2	0.37	103.60
" 3	0.34	95.20
" 4	0.32	89.60
" 5	0.29	81.20
" 6	0.26	72.08
Blac gu No. 1	0.38	106.40
" 2	0.35	98.00
Fyson No. 1	0.38	106.40
" 2	0.35	98.00
" 3	0.33	92.40
Chun mee Ni. 1	0.41	114.80
" 2	0.37	103.60
" 3	0.35	98.00
Sow mee No. 1	0.40	112.00
" 2	0.38	106.40
" 3	0.36	100.80
Tin No. 1	0.36	100.80
" 2	0.33	92.40
Gunpowder No. 1	0.43	120.40
Black tea No. 1	0.41	114.80
" 2	0.34	95.20
" 3	0.30	84.00
Siftings No. 1	0.11	30.80
" 2	0.10	28.00
Bancha	0.20	61.60
Fannings	0.15	42.00

INDUSTRIES IN SHIZUOKA PREFECTURE

The trade and industry in Shizuoka Prefecture which is the producing center of tea and other industries are now rehabilitating themselves.

Tea is playing an important role and manufacturers are doing their best to restore the reputation of Japanese tea. Before the war, from 80% to 90% of output of tea of Japan was exported from Shizuoka. The war brought the decline of productive power of tea-farms, in tea manufacturing machines, the shortage of fertilizer, lack of funds and the inflation of costs. The top export volume of Japan tea was about 6,000,000 pounds in 1935. The aim of export for this year is 8,000,000 pounds. 40% of the farmers' population of the prefecture are engaged in the green tea production. The total area of tea farms is about 52% of that of Japan and the output of tea of this prefecture is more than 60% of that of all Japan.

The Prefectural Office have drafted a five-year plan for increased tea production. The official prices for tea have been abolished and the amount of loans to be advanced to the tea industry has been increased and so Japanese tea will be able to recover in international markets in the near future.

The re-emergence of Japanese tea on the world market began in 1946 and about 7,000,000 and 1,000,000 pounds were shipped to the United States and North Africa.

The output of Japanese tea in 1946 and 1947 was 50 million and 54 million pounds as against 130 million pounds in 1941.

The biggest market for Japanese tea is the United States, but the demand of U.S. has declined year after year because lovers of green tea had changed to coffee and black tea during the war. In 1936, 48% of Japanese tea was exported to U.S. but in 1939 the figure dropped to 30%.

Russia was one of the largest consumers of Japanese green tea before the war, so if political relations are restored, Russia will be a big market for Japanese tea. Outer Mongolia is also a large market for Japanese tea and 20 million pounds of Japanese brick tea were exported to that country every year during the war.

With regard to export procedures, the government to government trade system has been replaced by free private trade since May this year.

The Shizuoka Trade Institute was established under the management of the Prefectural Office in July with the reopening of private trade in August 1947 and efforts are made for the exhibition of commodities and invitation of buyers.

Musical Instruments

Hamamatsu district has been famous for the manufacturing of musical instruments since pre-war producing harmonicas, guitars, ukuleles, accordions, pianos and organs. The output of harmonicas is the biggest among musical instruments. The Japan Music Instrument Manufacturing Company produce 5,000 dozens per month. The volume of export from August 15, 1947 to May in 1948 was about 67,000 dozens of harmonicas.

Plywood

The output of plywood which centers at Shimizu district ranks first except Hokkaido. About 20 makers of plywood regularly sent samples to England, Netherlands, etc. Recently 100,000 cases of veneer chest within this year and 1,000,000 cases for next year have been ordered with the Shimizu Chamber of Commerce and Industry and all these cases are to be sent to Indian tea sellers via England. Also an order for 2,000 koku of mahogany for veneer from Philippines was booked.

Textiles

There are fishing nets, narrow width cottons, hemp braids etc. for export. There are three cotton spinning mills with 56,000, 84,600 and 102,367 spindles respectively.

Canned Goods

There are canneries of tuna, orange, bamboo-shoots, centinellus, shiitake, peach, tomato, in the districts which center around Shimizu and Yaizu. There are tinned mandarine oranges among export goods in Shizuoka. The production quotas of this year are 12,950 cases by Shizuoka Packing Co., 1,360 by the Shizuoka Agricultural As-

sociation and 1,000 by the Shizuoka Packers Association.

Fish refrigeration: since the end of the war there are two factories of the Japan Refrigeration Company in the prefecture.

Another main export industry is the processing and canning of marine products. 35 canneries in Shizuoka affiliated with the Shizuoka Packing Co. produced 40% of output of all Japan before the war, but at present the production is below prewar owing to the lack of tin plates, olive oil, etc. However, 60% of factories arrangements is in Shizuoka Prefecture.

PRODUCTION OF WEIGHTS & MEASURES

The manufacture of weights and measures in Japan promises to be a good export trade. Especially promising is the future of the export of weights and clinical thermometers. Platform weighing machines, automatic scales and steelyards are in great demand.

At present their production is barely enough to meet home demand. When the present shortage of pig iron, cokes and paints is made good and the financial difficulty in this branch of industry ironed out, the production of weights and measures will be stepped up to meet the demand of foreign markets.

As regards shipments to overseas markets, no more than 350,000 yen worth of weights was exported to Okinawa in February 1948. Inquiries on wooden jointed rules have been received from New York and Singapore, on measures from Chicago, on weights from the Netherlands Indies and on clinical thermometers from India.

Output of Measures (May, 1948)

	Quantity (In number)	Value (In Yen 1,000)
Rules (straight) ...	742,870	7,417
Carpenter's rules (angle)	41,646	4,561
Mat-maker's rules	161,455	3,278
Tape-measures	78,876	4,351
Others	27,177	828
Total	1,052,024	20,435

JAPANESE WEIGHTS AND MEASURES

KAN	3.75 kilograms
MOMME	3.75 grams
KIN (=160 momme)	0.6 kilogram
RI (36 cho=2,160 ken)	2.44030 miles
	3.92727 kilometers
SHAKU	0.99419 foot
	0.30303 meter
CHOBU (=10 tan)	2.45064 acres
KOKU (cereals)	5.11902 bushels (U.S.)
(=10 to=100 sho=1,000 go)	4.96005 bushels (Brit.)
	About 0.15 metric ton

KOKU (liquid) (=10 to=100 sho=1,000 go)	47.35389 gallons (U.S.)
KOKU (timber)	About 1 cubic foot×10
SHAKUJIME (timber)	About 1 cubic foot×12
TABA (fagot, etc.)	About 3×6×6 feet
BALE (cotton)	500 lbs.
" (cotton yarn)	400 lbs.
" (raw silk)	100 kin or 132.3 lbs.

The leading makers of measures are: Tajima Doki Seisakusho (Tokyo), Tatsugoro Kamoshita (Tokyo), Tsumitaro Hara (Kanagawaken), Nihon Doki K.K. (Osaka), Seibu Sen-i Doki K.K. (Mieken) and Kanagawa Doki Seisakusho (Kanagawaken).

Dry and Liquid Measures

(May, 1948)

	Quantity (In number)	Value (In Yen 1,000)
Meters (for gas, water, gasoline supply)	8,758	8,761
Liquid measures (wooden and metal)	88,113	5,232
Chemical measures ..	77,815	3,778
Others ..	7,984	207
Total	182,670	17,977

The leading makers of dry and liquid measures are: Aichi Toki Denki K.K. (Aichiken), Shinagawa Seisakusho (Tokyo), Nagano Mokki K.K. (Nagano-ken), Nishi Nippon Ryoki K.K. (Gifu-ken), Nippon Glass Ryoki K.K. (Tokyo), Iwashiro Glass K.K. (Osaka) and Maruchi Press K.K. (Naganoken).

Production of Weights (May, 1948)

	Quantity (In number)	Value (In Yen 1,000)
Balances	3,591	3,622
Platform weighing machines	15,041	40,993
Steelyards	45,598	13,783
Automatic scales	42,978	24,809
Special weights ..	447	2,485
Weights	294,515	9,280
Total	402,170	94,972

Leading makers of weights are:—
Toa Koiki Kogyo K.K. (Tokyo), Hokuto

Koki K.K. (Fukushimaken), Tanaka Keiki K.K. (Saitamaken), Shuzui Seisakusho (Tokyo), Tokyo Kiki Kogyo K.K. (Kanagawaken), Chuo Koki K.K. (Mieken), Kubota Tekkosho (Osaka), Shimazu Seisakujo (Kyoto) and Yamato Seiko K.K. (Hyogoken).

As for clinical thermometers, their output is so meager that only home demand is being met. They will prove a definite export item in the future. Of late about a 20 per cent increase in monthly output has been achieved over the figures shown below.

Production and Makers of Clinical Thermometers (September, 1947)

	Quantity (In number)
Kashiwagi Taionkei K.K. ..	40,000
Jintan Taionkei K.K. ..	35,300
Tokyo Shibaura Denki K.K. ..	30,000
Kanto Taionkei K.K. ..	24,000
Nippon Musen K.K. ..	1,560

Principal Productions of Japanese Manufacturing and Mining Industries

FOR THE FIRST SEVEN MONTHS OF 1948

	Gold Ore (gram)	Gold Ore (kg.)	Silver Ore (kg.)	Silver Ore (m.t.)	Copper Ore (m.t.)	Tin Ore (m.t.)	Iron Ore (m.t.)	Pyrites Ore (m.t.)	Coal (1,000 m.t.)	Lignite (1,000 m.t.)	Crude Oil (kl.)	Refined Oil (kl.)	(Inc. Sulphur Imp.)	Pig Iron (m.t.)
Feb.	213,839	302,996	5,517	9,921	2,127	8,578	36,107	82,658	2,755	219	14,457	16,651	2,718	32,652
Mar.	153,966	190,802	5,600	6,819	2,112	8,929	44,047	90,087	2,859	254	16,036	12,842	2,620	38,293
Apr.	155,082	209,703	5,267	7,333	2,029	8,963	40,725	87,891	2,575	228	16,423	17,312	3,205	50,213
May	182,473	172,193	5,432	5,875	2,102	9,300	28,264	100,101	2,635	218	15,434	16,502	2,843	58,421
June	199,655	222,793	6,546	7,317	1,922	12,258	40,303	103,718	2,788	122	16,804	17,065	2,510	59,978
July	190,755	161,781	5,717	6,387	2,118	11,256	47,324	100,579	2,711	151	16,202	13,246	3,427	68,299

	Special Steel Steel Materials Materials (m.t.)	Electro- Steel Copper (m.t.)	Zinc (m.t.)	Lead (m.t.)	Alumi- nium Ingot (m.t.)	Alumi- nium Rolls (m.t.)	Mercury (m.t.)	Tin (kg.)	Cast Iron Pipes (m.t.)	Gal- vanized Sheets (m.t.)	Nails (m.t.)	Wires (m.t.)	Iron Rods (m.t.)	
Jan.	49,923	4,169	3,614	1,365	787	228	1,581	2,488	12,788	2,157	1,007	2,864	661	914
Feb.	59,629	6,490	3,994	1,367	823	182	1,704	2,552	1,500	2,338	1,986	2,476	650	963
Mar.	70,884	6,043	4,578	1,780	912	195	1,909	3,798	570	2,602	3,132	3,901	795	1,994
Apr.	66,029	7,849	4,022	1,442	737	220	1,939	5,015	8,000	2,898	3,840	3,109	666	1,500
May	75,117	6,450	3,983	1,871	824	242	2,020	6,011	0	2,678	3,513	2,081	719	1,055
June	76,633	6,194	3,893	1,719	681	582	2,148	5,751	8,160	2,917	1,620	2,203	390	920
July	86,770	6,675	5,253	2,057	943	584	—	5,530	21,384	3,460	2,939	3,731	1,060	1,676

	Int. Comb. Engines (unit)	Motors formers (unit)	Trans- formers (unit)	Radio Sets (unit)	Vacuum Tubes (piece)	Tele- phones (unit)	Electric Wires (m.t.)	Insula- tors (m.t.)	Ma- chines (y.1,000)	Machine Tools (unit)	Trucks (unit)	Bicycles (unit)	Pumps (piece)
Jan.	2,227	16,202	7,653	51,451	620,944	22,816	3,607	619	2,730	108,130	852	14,375	5,276
Feb.	2,683	20,096	6,285	57,900	816,325	21,660	4,192	565	2,999	104,803	980	14,981	6,010
Mar.	3,008	21,400	9,543	63,369	838,296	28,132	4,629	612	2,054	124,781	942	19,075	5,339
Apr.	3,353	18,955	8,434	76,073	830,912	25,748	4,905	735	3,882	143,033	1,208	17,120	4,969
May	3,700	19,871	6,882	72,578	930,428	26,222	5,207	713	4,484	147,099	1,211	17,851	4,462
June	4,242	19,284	7,000	72,339	1,039,973	26,024	6,251	—	4,460	163,459	1,260	37,904	10,106
July	4,450	18,061	5,278	71,436	959,014	25,529	5,651	—	4,600	173,701	1,388	21,349	6,811

	Sawing				Elect.				Ball		Soda		Caustic		Sulphuric		Carbide		Absolute		Hydrated		Dyes	
	Farm & Wood- Imple- ments	Rock	Watches	Cameras	Machines	drills	Clocks	Bulbs	(Yen 1,000)	(Yen 1,000)	(piece)	(piece)	(piece)	(1,000)	(Yen 1,000)	(m.t.)	(m.t.)	(m.t.)	(m.t.)	(m.t.)	(kl.)	(kl.)	(kl.)	(m.t.)
Feb.	230,070	57,057	2,034	186,870	7,449	11,800	77,736	4,503	4,453	130,484	12,364	24	1,837	263										
Mar.	313,538	44,578	1,908	181,720	8,531	10,705	69,964	4,861	6,413	153,456	24,022	0	1,843	285										
Apr.	526,182	69,336	1,738	188,964	8,424	14,195	78,603	5,877	8,021	163,488	41,578	141	612	393										
May	384,400	51,600	2,061	197,056	7,743	10,790	80,654	6,127	8,817	175,826	44,920	114	529	384										
June	526,182	61,251	1,895	206,226	10,415	10,282	76,500	5,658	8,217	165,797	27,722	182	930	398										
July	611,331	57,113	1,839	196,300	7,889	10,934	55,955	5,745	10,693	117,365	30,621	80	1,676	403										
	Gaso-				Light				Kero-		Machine		Heavy		C		Paraffin		Asphalt		Grease		Fatty	
	Paints (k.g.)	Soap (m.t.)	Coal- Tar (kl.)	Re- fined (kl.)	Refined (kl.)	Oil Refined (kl.)	Machine Oil (kl.)	Heavy Oil (kl.)	Heavy Oil (kl.)	Heavy Oil (kl.)	Paraffin (m.t.)	Asphalt (m.t.)	Grease (m.t.)	C	Paraffin (m.t.)	Asphalt (m.t.)	Grease (m.t.)	Fatty Acids (m.t.)	Auto. Tires (piece)					
Feb.	1,114	815	10,368	1,427	1,018	1,808	3,146	2,046	705	34	1,946	521	507	35,857										
Mar.	1,499	786	12,593	2,420	590	1,506	3,929	2,712	2,936	31	1,105	778	576	41,251										
Apr.	—	435	12,910	1,168	1,183	2,228	3,252	1,990	2,449	30	1,590	323	235	44,791										
May	621,204	408	14,080	2,538	1,131	3,156	3,320	2,263	2,811	35	1,236	237	575	51,514										
June	1,061	559	14,284	2,058	881	2,339	3,130	2,414	1,852	24	1,419	299	688	44,627										
July	914	779	16,052	1,521	738	3,189	2,357	1,924	2,023	42	1,186	384	873	35,761										
	Rubber-				Rubber- Soled				Rubber-				Rubber-				Rubber-				Rubber-			
	Bicycle (1,000)	Auto. (piece)	Bicycle Tires (1,090)	Boots (1,000)	Tabi (1,000 pair)	Rubber (m.t.)	Rayon Belting (m.t.)	Rayon Pulp (ton)	SP Paper Pulp (ton)	GP Paper Pulp (ton)	KP Paper Pulp (ton)	AP Paper Pulp (ton)	Kraft Paper (1,000 lbs.)	News- Print (1,000 lbs.)	Print (1,000 lbs.)	Sheet	Print (1,000 lbs.)	Print (1,000 lbs.)	Print (1,000 lbs.)	Print (1,000 lbs.)	Print (1,000 lbs.)	Print (1,000 lbs.)	Print (1,000 lbs.)	Print (1,000 lbs.)
Feb.	284	43,150	221	370	1,038	172	1,513	8,625	14,340	1,290	146	1,542	16,095	20,134										
Mar.	224	39,108	269	315	683	132	2,965	7,590	16,501	1,160	122	1,740	19,300	23,245										
Apr.	263	48,544	245	305	1,065	135	1,398	10,126	18,779	1,941	118	2,090	20,039	25,690										
May	267	52,679	256	352	923	103	3,471	7,004	18,789	1,647	103	2,230	27,786	27,333										
June	358	40,032	450	368	1,834	146	3,382	9,811	19,958	1,519	209	2,196	17,723	28,629										
July	438	45,226	448	395	1,051	121	3,927	8,691	19,498	1,578	169	2,451	19,204	26,401										
	Leather				Goods				Gas				Coke				Pottery				Sheet			
	Cel- luloid (m.t.)	Rayon (1,000 lbs.)	Staple Fibre (1,000 lbs.)	Super- phos. (m.t.)	Calcium Ammo. (m.t.)	Cyana- mide (m.t.)	Cow Hides (m.t.)	Cow Leather (m.t.)	Gas (Ind. Use)	Gas (1,000 cub. m.)	Coke (1,000 m.t.)	Pottery (1,000 m.t.)	Glass Ware (Incl. Cement Med. Use) (m.t.)											
Feb.	219	1,926	1,926	79,700	51,249	9,508	382	153	155	55,664	193	388,125	1,759	64,672										
Mar.	239	2,275	2,355	81,988	66,106	17,548	300	210	147	63,046	222	319,655	1,969	104,643										
Apr.	244	2,889	2,655	83,529	90,910	25,015	526	230	105	64,363	234	395,537	2,681	102,062										
May	281	3,068	3,245	64,451	101,751	22,685	282	169	99	64,232	255	—	2,285	133,198										
June	298	3,238	3,609	69,175	75,188	23,797	260	340	121	63,728	—	491,216	2,640	119,190										
July	300	3,371	4,075	76,192	82,817	18,713	584	311	83	60,255	—	566,732	2,701	127,610										
	Staple				Fabrics				Fabrics				Fabrics				Fabrics				Fabrics			
	Glass Ware (Incl. Cement Med. Use) (m.t.)	Cotton (1,000 lbs.)	Silk Yarn (1,000 lbs.)	Hemp Yarn (1,000 lbs.)	Woollen Yarn (1,000 lbs.)	Staple Fibre (1,000 lbs.)	Cotton Fabrics (1,000 sq. yds.)	Fabrics (1,000 sq. yds.)	Silk Fabrics (1,000 sq. yds.)	Hemp Fabrics (1,000 sq. yds.)	Woollen Fabrics (1,000 sq. yds.)	Rayon Fabrics (1,000 sq. yds.)	Fibre Fabrics (1,000 sq. yds.)											
Feb.	2,892	85,358	22,106	846	1,367	1,793	1,712	65,714	6,201	1,569	1,866	2,246	2,118											
Mar.	3,374	131,749	23,181	722	1,473	2,036	1,913	72,093	8,380	1,621	1,976	2,847	3,203											
Apr.	4,000	169,049	25,749	809	1,680	1,895	2,028	76,978	9,237	1,734	2,130	2,984	3,731											
May	4,332	113,471	23,948	630	1,666	1,973	1,703	78,837	10,631	1,692	2,296	3,268	4,756											
June	4,209	136,964	23,269	745	1,783	2,045	1,787	76,813	8,099	1,785	2,342	2,361	4,710											
July	3,983	121,615	23,036	670	2,143	2,031	1,861	77,675	7,088	1,685	2,355	2,128	3,912											
	Fishing				Matches				Leather				Spades				Hammers,				Rice			
	Fishing Nets (1,000 lbs.)	Matches (m.t.)	Leather Shoes (1,000 pairs)		Cotton (m.t.)	Silk Yarn (1,000 lbs.)	Hemp Yarn (1,000 lbs.)	Woollen Yarn (1,000 lbs.)	Staple Fibre (1,000 lbs.)	Cotton Fabrics (1,000 sq. yds.)	Fabrics (1,000 sq. yds.)	Silk Fabrics (1,000 sq. yds.)	Spades & Shovels (m.t.)	Pick- Axe (m.t.)	Pans (1,000)		Pans (1,000)			Rice Cookers (1,000)	(Thermal kwh.)	Power (Hydro) (1,000 kwh.)	Power (Hydro) (1,000 kwh.)	
Feb.	1,631	17,494	215,491		385	146	280							1,569	293,451					67	293,451	1,935,102		
Mar.	1,745	19,597	229,616		369	134	463							79	228,474					228,474	2,379,393			
Apr.	2,067	22,088	209,553		391	162	613							275	165,713					275	165,713	2,712,141		
May	1,479	23,853	191,452		382	207	1,031							377	146,363					146,363	2,827,471			
June	3,295	23,252	177,679		115	210	1,021							306	210,248					210,248	2,431,655			
July	2,802	21,809	213,525		305	193	—							279	70,965					70,965	2,772,509			

JAPANESE COMMERCIAL REPORTS

JAPAN'S TRADE AGREEMENT WITH SIAM

The new Japan-Siam trade plan adopted by SCAP and a Siamese trade mission following their joint conferences in Tokyo is another cardinal stimulant to Japan's post-war foreign trade. Under the terms of the present arrangement, Japan expects to conclude export contracts for about US\$37,000,000 worth of goods to Siam by the end of June, 1948. The present plan also calls for an import by Japan of \$31,000,000 worth of goods from Siam during the corresponding period. The volume of trade involved in the present arrangement aggregates about 10 per cent of the scheduled foreign trade of Japan for the same period. Commodities involved in the new arrangement are also expected to have a far-reaching influence on the economic life of Japan. Exports from Siam to Japan include 150,000 metric tons of Siamese rice worth US\$23,250,000, accounting for about 7 per cent of Japan's food imports during the period under review.

Of Japan's export to Siam, rolling stock, locomotives and iron and steel products will value more than \$20,000,000. With Japan's annual production of steel material estimated at 1,000,000 metric tons at the best, this is certainly a heavy task. The future prospects of Japan's foreign trade appear to be darkened by the fact that Japan is not able to cover the best part of its imports with exports of textile goods, the mainstay of her export products. On the other hand, scheduled exports of rolling stock, locomotives and similar iron and steel products to Siam will contribute greatly toward cultivating a future world market for Japan's heavy industries. Particularly, Japanese rolling stock and locomotives will retain demands for Japanese parts and accessories necessary for future repair or overhauling.

Similar trade arrangements will possibly be made with the Netherlands Indies and Pakistan.

There is no denying that there are still many dampers in the way of Japan's foreign trade. China's civil war is crippling her buying power from Japan, and there is the increasing difficulty of concluding multilateral trade account settlements due to excessive control restrictions being placed on foreign trade by leading countries. Without a concrete reform of such discrepancies in international trade, therefore, an early improvement in Japan's trade cannot be expected. Thus, Japan will be obliged to direct her efforts toward promoting her foreign trade steadily step by step under the existing conditions. In this connection, resumption of mutual trade contracts between Japan and southern countries, such as Siam, cannot be under-estimated.

TOKYO STOCK EXCHANGE

Last year, off-mart transactions on the Tokyo Stock Exchange started downward from around summer and

continued to be dull and quiet until November. A similar trend is marking outside dealings this year, as share quotations began to dive from August and have continued to be weak into September and October.

Three major deterrents account for the reactionary decline of stock prices since August. In the first place, general monetary stringency has been crippling stock transactions. Monetary stringency in the stock market has particularly worsened with the oversupply of stocks in the market being flooded with SCAP-released shares and capital-increase stocks for the past several weeks. The second damper was the reactionary setback of share prices from mid-August as an aftermath of the energetic march since the latter part of May which culminated in an upswing in late July. General apathy among traders is the third handicap.

Since the beginning of this year, stock quotations have been dependent largely upon the sentimental trend of traders. The February-end boom and the July-end upswing are considered attributable largely to the sudden rise of a bullish sentiment. While monetary stringency is a substantial reason for the recent setback of stock prices, the present position of share quotations apparently permits no further advance in bearish operations. Under the influence of a general apathy among traders, however, those financially able to hold on have resorted to bearish dealings. Securities merchants are being influenced by the similar apathetic sentiment. Nevertheless, the market is believed to be at its worst today, with indications that a reactionary upswing will set in sooner or later with favourite stocks leading the march.

HONGKONG'S PRINCIPAL IMPORTS FROM JAPAN

According to Boekicho, Tokyo, principal Japanese exports shipped to Hongkong during the first five months of 1948 were as follows:—

Cotton yarn: In January 1½ million pounds, in May 2 million lbs.

Cotton fabrics: In January 500,000 square yards, in February 69,600 sq. yds.

Silk fabrics: In February 22,161 square yards, in March 64,999, in May 645,581 sq. yds.

Rayon yarn: In January 600,000 lbs.

Rayon fabrics: For January to May respectively per month: 11,506 square yards, 469,805; 471,438; 289,845; and 2,043,434 sq. yds.

JAPAN—EGYPT TRADE

A trade agreement has been signed between Japan and Egypt whereby the former will supply US\$12-million worth of silk, rayon textiles, porcelain and whale oil to the latter. Egypt will supply cotton to Japan. Both countries are expected to start shipments in the middle of September.

JAPAN—STERLING AREA TRADE

Subsequent to the recent establishment of the overall payments arrangement governing trade between Japan and the Sterling Area, a program of import and export with the Sterling area has now been drafted by Boekicho covering the period from July 1 this year, through June 30 next year, and negotiations are being held with missions of various countries concerned now staying in Japan including Indian Missions.

Exports will reach the total of about US\$110,942,000, including \$63,962,000 worth of textiles, US\$30.4m. of machinery and metals, \$8,374,000 of chemicals, agricultural and marine products and \$8,159,000 of sundry goods.

The imports from the Sterling Area are constituted by 400,000 bales of Indian raw cotton, salt, rice, etc. totaling \$278,417,000 and financed through the SCAP commercial account for \$110,911,000, GARIOA fund for \$120,950,000 and EROA fund for \$45,556,000.

The imports stand at 2.5 times the export, and India comes first among all the Sterling Area countries being responsible for 40% of the total exports and 30% of the total imports.

JAPAN—AUSTRALIA TRADE

Principal commodities which Australia is in a position to supply Japan are raw wool and other animal and vegetable products. From a tentative list of commodities offered by Japan, Australia indicated that its major import would be cotton manufactures. Raw silk and rayon manufactures rank next in importance in the list of commodities which Australia will buy from Japan. Australia also registered an interest in purchases of silk manufactures, teak hardwood and its manufactures, pottery and porcelain.

Among other products offered by Japan which may find a market in Australia are industrial machinery and electrical appliances of specific types, as well as dyes, pigments and paints, paper and paper products, glass and products, caustic soda, sulphur and manganese dioxide.

INDIAN HEMP IMPORTS

Contributing greatly to the acceleration of Japan's industrial recovery, some 3,000 bales of Indian hemp were recently imported from India for the first time in eight years. The imported hemp has been distributed to the mining industry to be used for fuses because the burning speed of the hemp fuses is slow. Thus the security and safety of mining pits can be increased.

JAPAN'S POPULATION PROBLEM

According to the new census taken on August 1 on the basis of constant residents, Japan's population as on the same date stood at 80,216,896. The population registers an increase of about 1,600,000 during the ten months since the last census taken October 1, 1947, that placed Japan's population at 78,627,000.

The current census is concerned with constant residents, whereas all past surveys were made of those present at a given time. It can be surmised on the basis of this census that the annual population increase in Japan averages two million. Even taking into account that the increase during the past ten months was partly attributable to the large influx of repatriates from overseas, the natural increase during the period under review was unprecedentedly large. Such an energetic natural increase in population also has served to diminish the numerical balance between sexes. For example, there were 100 women against 89 men in 1945, against 91 men in 1946 and against 95 men in 1947. By the August 1 census, the ratio was shown to have changed to 100 women to 96 men. It can well be imagined that the best part of overseas repatriates were men and that new births were more or less evenly divided between males and females during the past ten months.

It is problematic, however, whether Japan's population will increase at the rate as indicated by the August 1 census. During the past few years, adults of "productive" age returned to Japan in large numbers, many of whom were reunited with their wives or got married. Hence, the birth rate rose. Under these circumstances, the birth rate may grow lower to some degree within the coming few years. The rate of natural increase, however, is certain to remain high.

In all probability, Japan's population may well reach 100,000,000 within the coming five or six years. How, then, will Japan feed such a gigantic population? This is certainly one of the most important problems Japan is called upon to tackle in the near future. What will be the best key to the solution of this problem? Elevation of industrial scale? Emigration? Birth control?

FOREIGN COMPANIES LICENSED BY SCAP

Three foreign oil companies have been licensed by SCAP to sell and distribute petroleum and petroleum products within Japan. They include two American concerns, Caltex Oil (Japan) Ltd. and Standard-Vacuum Oil Company, and a British concern, Rising Sun Petroleum Company, a Far East subsidiary of Shell Oil Company.

These firms are permitted to receive, store and buy petroleum and petroleum products and to distribute and sell them to foreign concerns and commercial representatives authorized by

ECONOMIC REPORTS FROM AUSTRALIA

RAW MATERIALS OF AUSTRALIA

Australia is favoured with many natural resources from which industries can draw materials, but the country is deficient in certain basic commodities and needs to import them from abroad. Some of the commodities that must be imported are the products of tropical regions, and Australia's geographical position in the South West Pacific makes it possible to obtain many of these products from neighbouring islands in the Pacific and the East Indies and from the mainland of Asia.

The Commonwealth of Australia includes the continent of Australia and the island of Tasmania. Territories under its control include the eastern half of the island of New Guinea, a number of adjacent Pacific Islands, and a vast segment of the Antarctic, reaching to the South Pole. The total area of the Commonwealth is 2,948,366 sq. miles (almost as large as the United States of America), lying between latitudes 10° South and 44° South, with almost 40% of the area in the tropics and the remainder in temperate zones. It might be expected that such a vast land area, with many different climates, would produce all kinds of commodities, but certain physical characteristics limit its capacity. For its size, it is deficient in mountain ranges and river systems, so that approximately two-thirds of the area has low rainfall, high evaporation and insufficient

vegetation. The remainder is fertile and lies predominantly in temperate zones, so that apart from the products of a coastal belt in Queensland and a few districts in the north and west of the continent, most of Australia's products are those usually associated with temperate regions.

The eastern half of the island of New Guinea, including adjacent islands, covers about 183,000 square miles and lies entirely in the tropics. Many parts are not fully explored, and the territories are believed to have considerable possibilities for development.

Large areas of the productive regions of Australia are suitable for the grazing of sheep and cattle. Sheep, numbering about 120 million, and cattle, about 14 million, provide wool, meat, dairy products, hides, skins and by-products of the highest qualities. The wool-clip, amounting to about 1,000 million lbs. annually and including half the world's production of fine merino wools, is mostly exported, but some 13% is retained for domestic manufacture. The other products named above are exported in substantial quantities, and are also used in Australia's canning and processing industries, tanning and leather-making, and the production of fertilizers, tallow, glue, glycerine and other items.

Other live-stock raised include horses and pigs, and throughout the fertile regions there are innumerable rabbits, which are pests and cause much damage, but nevertheless provide skins for felt-making and meat

SCAP to engage in business activities in Japan. They are not allowed to service Occupation personnel or Japanese.

An insurance company and a shipping agency also have been licensed recently by SCAP. The Life Insurance Company of America is the fifth insurance firm permitted to provide insurance for Occupation personnel and authorized foreign commercial representatives. A. P. Patterson and Company Fed'l. Inc. U.S.A., is the twenty-first shipping agent to be permitted to conduct business in Japan.

TANKERS TO PERSIAN GULF

The first of 16 Japanese tankers which brought industrial oil from Bahrain in the Persian Gulf to Japan has recently returned to Japan. Five more Japanese tankers soon will sail for Bahrain on the 45 to 60-day trip signifying the Japanese tanker fleet's first postwar excursions into foreign waters. The tanker with the largest capacity will carry 90,000 barrels of heavy black fuel oil purchased in Bahrain on a United States Navy contract. The oil will be used industrially in Japan, but some of it may be refined into lubricating oil and gasoline. The use of Japanese tankers will

make more American tankers available for United States use on oil hauls. One United States Navy officer is aboard each Japanese ship for the long voyage through the Indian Ocean and Arabian Sea to Bahrain.

Some Japanese tankers were used last winter in whaling operations in the Antarctic.

The entire project is under the direction of United States Navy.

RAW SILK AND SILK FABRIC SALES

Japanese raw silk sales for the first six months of 1948 were larger than predicted for the entire year and four times last year's sales. The increase is due to the revived demand for silks on the world market, particularly for wearing apparel fabrics.

Sales to June 30 totaled 71,997 bales valued at US\$23,759,010 of which 53,674 bales valued at \$ 17,712,420 have been exported.

Sales of 20,408,300 yards of silk fabric valued at US\$9,258,241 during the same period also is in line with the expected 50-million yards for the year. In the 1935-7 period, sales of all silk fabrics averaged approximately 125-million yards yearly.

Of the silk fabric sales, a total of 14,572,445 yards valued at US\$6,463,998 have been exported.

for consumption. Few types of wild animals are found in Australia, but a certain amount of hunting and trapping is carried on for furs and skins.

Australia is an important agricultural country, with more than 20 million acres under crops, producing most foodstuffs and a number of industrial crops. About 12 million acres are planted with wheat and in addition cereals such as oats, maize, barley, rye, sorghum and rice are grown. Vegetables for human consumption and grasses for stock fodder are cultivated, mainly for domestic needs but also for export in preserved or compressed forms. Fruits are marketed fresh, dried and preserved; the wine-industry is flourishing; and sugar, grown in Queensland, is sufficient for Australia's needs, with a small surplus for export. The main industrial crops are cotton, flax, tobacco and ground-nut, but they have not been produced on a scale sufficient for Australia's own requirements.

Mineral resources are of great variety and are found in many parts of the country. Iron-ore deposits and coal reserves are sufficient for all requirements and Australia is an important producer of silver, lead, zinc, copper and tin.

Other minerals include:—

Alunite, antimony, arsenic, asbestos, barytes, bauxite, beryl, cadmium, chromite, cobalt, clay, diatomaceous earth, dolomite, felspar, fluorspar, fullers' earth, graphite, gypsum, kaolin, limestone, magnesite, manganese, mica, molybdenite, ochre, phosphate, salt, scheelite, silica, sillimanite, talc, tantallite, wolfram and zircon-rutile concentrates.

The forests of Australia grow mainly in the coastal regions and provide timber, wood-pulp and bark, for a variety of industries including paper-making, tanning, furniture-making and plastics. The trees, however, are 90% hardwood and a large part of the softwoods needed in the building trade must be imported.

Marine products are drawn from the Pacific and Indian Oceans surrounding the continent and include fish, oysters, crayfish, trochusshell, pearls, pearl-shell, beche-de-mer, and seaweeds.

Great progress was made during the war in the development of industrial chemicals, notably by the establishment of synthetic ammonia plants. This was a branch of industry in which Australia was formerly lagging, but now there is a long list of these chemicals being produced locally, and the growth of the plastics industry in Australia will have an important influence on their development.

Commodities for which Australia depends on oversea supplies include rubber, mineral oils, vegetable oils (except eucalyptus and sandalwood), hemp, jute, copra, cotton, silk, tobacco-spices, sulphur, nitrates and nickel. A small part of the Commonwealth's requirements of rubber are, however, being met from plantations in Papua and most of the present allocation of copra is being provided from Territories and islands under Australian administration.

Prices of raw materials have been controlled by the Commonwealth Government since 1942. They were kept extremely stable until the end of 1946, but during 1947 the policy was altered and most prices were allowed to rise. Generally speaking, wholesale prices are still well below those prevailing in other countries.

has power to make laws in time of war for the defence of the country. Using this power, it took action to control many aspects of private activity, including aspects which in normal times are the prerogative of the State Governments, but all controls are in a state of change.

Exchange control

The system of exchange control introduced in World War II has been maintained with some modifications during the transition period. Australia, being a voluntary member of the sterling area, observes the need to conserve "scarce" currencies, particularly U.S. dollars, and also desires to safeguard the balance of payments against overlarge demands for imports and sudden speculative movements of capital.

No restrictions are placed on remittances into Australia. At present there are no difficulties in sending interest and dividend payments out of Australia, and the country's past reputation of trustworthiness makes it hard to foresee circumstances arising in peacetime in which genuine income payments would be refused. Present conditions are such that the control authorities are not yet able to state in advance whether in all circumstances they will be able to approve applications for the repatriation of capital, but they will consider each case on its merits.

The Bank of New South Wales and the other Australian banks act as agents for the control authorities in foreign exchange dealings and provide all the usual exchange services.

Import and export licensing

Imports of goods into Australia are controlled by a licensing system and importers are required to apply for licences before certain goods are allowed to enter. Most goods of sterling area origin are exempt, but with minor exceptions licences are required for all goods manufactured or produced outside the sterling area. The possession of a licence is evidence that exchange will be made available for payment to the supplier.

Certain non-sterling area imports are totally prohibited. Others are admitted on the basis of a quota which is a percentage of the value of similar imports for the base year ended June 1939 and others are considered individually on their merits. Licences for goods of non-sterling area origin are usually granted only if the goods are considered essential and if adequate supplies cannot be obtained from sterling area sources. Licences are usually valid for one year but may be extended on special circumstances.

Export licensing is in force mainly for the purpose of ensuring that the full proceeds of sales are received into the Australian banking system and in the required currency form. Licences are necessary for all exports, with a few exceptions. The export of some goods which are in short supply in Australia is prohibited or restricted.

TRADE & INDUSTRY

Present controls

Australian industry is still subject to a number of Government controls, introduced during the recent war to mobilise the nation's industrial capacity, and still enforced for the purpose of smoothing the transition from war to peace. Under the Constitution, the Commonwealth Government

Capital issues control

Control regulations contain provisions governing the issue of capital and securities, the giving of mortgages and other charges, the acceptance of deposits and the payment of interest.

A company must secure the consent of the Treasury before making an issue of authorized capital exceeding £25,000. This amount includes issues over a period of two years and includes any mortgage given or deposit accepted. No preference shares may be issued without Treasury consent. The regulations apply to individuals and syndicates as well as companies.

Treasury consent is required before giving any mortgage or charge over property or assets exceeding £5,000 in one year in the case of individuals or £25,000 in two years (including any issue of authorized capital and deposits accepted) in the case of companies. Rates of interest on mortgages may not exceed 4½% without Treasury approval. If the property being mortgaged is land, Treasury consent must be obtained in any case. Mortgages or charges given in respect of loans by banks and other specified bodies are not affected by these provisions; they are covered by other regulations.

Bank advances

The provision of short-term working capital is the main lending function of the Australian trading banks, but the policy is flexible and long-term finance to buy land and to erect buildings and plant is frequently provided for undoubted customers on a nominal "call" basis. The central bank, however, has the power to give directions as to the classes of purposes for which advances may be made, and although it cannot intervene in individual cases, it issues instructions from time to time concerning the lending policy to be followed.

Interest rates

The Treasury has broad powers under the Transitional Powers Act to declare maximum rates of interest on any money lent, advanced or deposited, any credit given or any form of debt. Power to control bank interest rates is also contained in the Banking Act, 1945.

The following are maximum rates of interest in force on 31st December 1947.

Deposits	%
Bank deposits bearing interest—	
3 months	1½
6 "	3½
12 "	1
24 "	1½*
Savings bank deposits—	
Commonwealth Savings Bank and State Savings Bank of Victoria (First £500	2
(£501—£1,000†	1
Other savings banks—	
First £500	2½
£501—£1,000†	1½
Loans	
Bank overdrafts	4½
Loans by life assurance companies on life policies	4½
Loans by pastoral companies and building and co-operative societies	5

Loans to local authorities—Government guaranteed	3½
Loans to building societies—State Government guaranteed	3½
Private mortgages	4½
* 1% on deposits in excess of £10,000.	

† No interest payable on amounts in excess of £1,000, except special rate for Friendly and other Societies.

Prices

Control by the Commonwealth Government over the prices of goods of all kinds was used during the war to stabilize the cost of living at the level ruling in April 1943. A few relaxations were allowed at the end of the war and in 1947 the policy of rigid price ceilings was modified, and prices were allowed to rise.

The chief method of control used has been to declare maximum prices and to pay subsidies to meet increased costs. A trader who finds that his costs have risen may apply to the Prices Commissioner for relief, either in the form of a higher maximum price or a subsidy. The policy has been to pay subsidies as early as possible in the chain of production. Subsidies paid in the financial year ended 30th June 1947 amounted to £A30,360,000.

Pressure from the business community to remove price control is strong, and the Treasury is anxious to reduce the subsidies. The tendency is to allow prices to move upwards rather than to increase subsidies, except for some essential commodities.

Rents

The Commonwealth Rent Controller has power to declare fair rents for all premises except farms, holiday premises and licensed houses. Rents are pegged at rates on certain dates and any tenant or land-lord who is dissatisfied may apply for the determination of a fair rent. In his decision the Controller takes into account the capital value of the property, depreciation, insurance, rates and repairs.

Land sales

With a few exceptions, the transfer of land by purchase, lease, option, assignment or any other means may not be effected without the consent of the Treasury. The regulations are administered by Land Sales Controllers and the policy has been to peg land values near the 1942 level. An effect has been to make landowners reluctant to sell at the official values.

Control of goods and materials

Certain goods which are scarce are controlled in one way or another. Most materials used in engineering and building, new motor vehicles, agricultural tractors, tin-plate and other goods are controlled by permit, and the sale to the public of butter, meat, tea, petrol and certain articles of clothing is rationed by coupon systems.

Building operations

The control of building and building materials, necessary during the war, has been retained during the transition period in an attempt to ensure that la-

bour and materials which are scarce are used for the most urgent purposes.

Control has been handed back to the State Governments so that there are some variations in the provisions between the States. Usually the parties concerned with the granting of building permits are a State Government department and the local government authority. The State department takes into consideration the importance of the project and the availability of materials, and ensures that the plans conform with safety and hygiene regulations. The local authority examines the plans to see that they abide by local building regulations and fit in with town planning schemes.

STOCK EXCHANGES AND INVESTMENT FACILITIES IN AUSTRALIA

The first stock exchange in Australia was established over a hundred years ago, and today stock exchanges are functioning in the capital cities of every State. They provide facilities for dealing in all kinds of listed securities—gilt-edged government and semi-government loans, public utility and trading company debentures, and preference and ordinary shares issued by many types of commercial, industrial and mining companies. The stock exchanges are governed by Committees who enforce rules of conduct and methods of procedure among stock brokers for the protection of the investing public. Numerous sources of information exist on movements of stock prices and the progress of companies, and many well-established brokers are available in each of the cities to give investment advice.

Each stock exchange is a separate organization with its own constitution. Uniformity of practice amongst them is promoted by a central body known as the Australian Associated Stock Exchanges, and brokers keep themselves well informed on the course of quotations made in neighbouring cities.

The Committees of the stock exchanges are elected by the members and have wide disciplinary powers to enforce the rules. The rules are framed to protect the public by requiring a high standard of business conduct from members. Membership is granted only to an applicant of good character and proved ability to meet his financial obligations to the public and to fellow members. The codes of conduct and practice include the following features:—

Orders from clients must be executed before a member's own transactions in a particular stock. A member may not buy or sell on his own account without full disclosure to the client. Securities bought for a client and paid for by him cannot be lent without his written consent. Money belonging to a client must be held in a trust account. Members' books must be audited annually by auditors appointed by the Committee. Members may not advertise indiscriminately. Grievances against a member may be brought before the Committee for investigation. All transactions must be published promptly; transactions completed outside the Call Room must be reported, and members of the press attend the

daily calls and have access to all reports and balance sheets received from listed companies.

The stock exchanges meet at 10 a.m. and 2.45 p.m. on Mondays to Fridays. In the Call Room the Reader calls the official list of stocks and shares, and member brokers or their authorised clerks make their bids. Each transaction is officially recorded and the broker confirms the deal to his client with a "bought" or "sold" contract note showing name of stock, quantity, price, brokerage, stamp duty and net amount of the transaction.

Settlements are made by cash or cheque. The buyer forwards the amount due, and receives the scrip he has purchased as soon as it is delivered by the seller, usually within a few days. The seller forwards the certificate of transfer, signed by him, and receives payment. Clients may arrange which their banks to make settlements on their behalf.

Rates of brokerage are laid down by Stock Exchange Committees and are now fairly uniform in Australia.

Listing of securities: The stock exchanges lay down requirements which companies must fulfil before their stock and shares may be placed on official lists. The company must be of sufficient size for the shares to be well distributed and to arouse a wide interest in their quotations. The prospectus, published accounts and Articles of Association must provide the public with adequate information on the objects of the company and must ensure that the share-holders can exercise their rights through the Board of Directors. The company must agree to announce promptly any declarations of dividends, new issues of capital and other information which may have an important bearing on market values. Companies which do not co-operate may be removed from the lists, but reliable companies are invariably prepared to comply, for although recognition by a stock exchange does not guarantee the success of shares, it makes them more easily negotiable.

Banking facilities: The trading banks in Australia co-operate in many respects in facilitating investments in securities. The Bank of New South Wales, with its branches spread throughout Australia, New Zealand and Pacific Islands, its offices in London, and its agents and correspondents throughout the world, is particularly well placed in this respect. The Bank does not undertake to select or recommend securities, but can put customers in touch with brokers. The Bank will accept instructions to apply for new issues or pay calls when they become due; it will accept applications or bonds in Government loans, and will buy or sell shares, bonds, savings certificates, etc., on behalf of customers. The Bank will hold bonds for safe custody free of charge and collect interest on them on the due dates of interest payments and convert or redeem the bonds when they mature, according to instructions. A complete safe custody service is available for lodging scrip, or customers may, if they prefer, lodge their own deed boxes. In several of the main offices, safe deposit vaults are available, where deed boxes may be rented.

AUSTRALIAN OVERSEAS TRADE, 1947-48

The figures issued by the Commonwealth Statistician dealing with the trade for the financial year ended on June 30 last are the highest for both imports and exports in the history of trade statistics. Commodity imports amounted to £A.338,241,000 and exports to £A.406,218,000. The favourable commodity trade balance was, however, reduced from £A.100,651,000 to £A.67,977,000, with adjustment for bullion specie, the final trade balance £71,278,000, against £99,519,000 last year, as shown in the following table:

	Year	1946-47.	1947-48.
	£A'000.	£A'000.	£A'000.
	f.o.b.	f.o.b.	f.o.b.
Merchandise—			
Exports	308,884	206,218
Imports	208,343	338,241
Commodity			
Balance	100,541	67,977
Bullion and Specie—			
Exports	120	4,967
Imports	1,142	1,666
Bullion and Specie			
Balance	-1,022	3,301
Total Balance	99,519	71,278

The high values of both exports and imports are, in the main, due to the rise in values of commodities rather than to a rise in volume. The position, therefore, must be regarded as largely artificial.

The following table shows imports and exports with the U.K. and with other British Dominions; and with the U.S.A. and all foreign countries (in thousands of Australian pounds):—

	Imports	Exports
U.K.	132,214	150,516
All Brit. Countries	208,129	256,398
U.S.A.	66,849	35,227
All Foreign Countries	125,182	145,868

A noticeable feature of the export trade has been the greater spread of trade. More countries are buying Australian products than last year or than before the war.

The figures of trade with the U.S.A. are of interest in connection with the dollar position. The actual trade deficit in dollars is approximately \$103,360,000, which is not a very considerable amount. But that deficit has been restricted by the strict control of imports from the U.S.A. On the export figure agains' normal demand the deficit would be more than twice as much. But in normal times it would cause no anxiety, as it would be covered by purchase of dollars out of sterling credits in London. Now the credits are there; the dollars are not.

THE OLIVE-OIL OF PORTUGAL

Olive-oil is one of the principal agricultural resources of Portugal. Its use in every household assures it a steady market. Portugal possesses sufficient olive-oil to satisfy in quality and quantity the demands of the markets. Her olive-oil is extraordinarily fluid and clear. There are some that are very mildly flavoured and scented.

The extraction of olive-oil from the olive or fruits of the olive-tree is subjected in Portugal to technical and hygienic rules ordained by the law in order to guarantee the quality and genuineness of the product. Since the oil exists already in the olive, the whole technique of its manufacture is based on extracting it as it exists in the olive, mechanical processes being confined to grinding and pressing. The oil-presses for the extraction of the oil are subjected to the control of the Ministry of Agriculture, which prohibits the use of chemicals as dissolvent, also the adulteration by means of other oils and the use of artificial colouring.

The Portuguese olive-oil is of great purity, slightly acid, has a special golden colour and a delicate flavour and natural scent. Within the corporate organization of the Portuguese State all the problems relating to the production and cultivation of the olive-tree and the extraction and commerce of olive-oil are entrusted to the National Olive-Oil Board.

The organization of the export and control of the quality of the olive-oil exported belongs to another corporate body called the Guild of Olive-Oil Exporters. No Portuguese olive-oil can be exported without having the Portuguese national trademark on the packing-cases and without a guarantee of its origin and purity furnished by the Guild of Olive-Oil Exporters.

In its native countries olive-oil is chiefly used as an article of food of the first importance, either raw (in salads, mayonnaises, etc.) or in frying or to season dishes. Before the modern methods of lighting it was largely used for lighting purposes and even to-day plays an important part in the lighting of churches. It is used too as liturgic holy oil.

Medically, the use of olive-oil is recommended in stomach, intestinal and liver complaints and also as an element in the preparation of subcutaneous and intermuscular injections. As an article for the toilette, virgin olive-oil is applied directly to the treatment of the skin and enters into the composition of many creams destined for the same purpose. Finally it is used with other oils for various industrial purposes, such as the preparation of wools, the manufacture of scented soap, and a lubricant for machinery, motors, etc.

REPORTS FROM INDONESIA

IMPORTS IN JULY 1948

Imports in July 1948 amounted to 155,991 tons with a value of f. 82,750,000.—(previous month f. 82,420,000). The principal importing countries were U.S.A. with f. 23,842,000, Netherlands with f. 17,082,000, Great Britain f. 6,658,000, Siam f. 6,077,000, Belgium f. 3,978,000, and Japan f. 3,730,000.

Imports of important articles of consumption amounted to: rice f. 8,208,000, milk f. 1,287,000, wheat flour f. 2,271,000 and textiles f. 9,733,000.

For textile factories yarns were imported to a value of f. 2,161,000; for agriculture fertilizers were imported to a value of f. 1,622,000.

Imports of iron and steel and products of these metals amounted to slightly over f. 4,000,000, of machines over f. 9,000,000; the value of imported cars was f. 4,706,000.

EXPORTS OF IMPORTANT PRODUCTS IN JULY 1948

Rubber 28,248 tons, to a value of f. 25,602,000.

Copra 25,267 tons, to a value of f. 19,083,000.

Palmoil 4,082 tons, to a value of f. 4,660,000.

Tin ore 3,851 tons, to a value of f. 12,166,000.

Export of tea in July 1948 amounted to 402,331 kg. value f. 1,048,000 (previous month 453,000 kg.) The main buyers were the U.S.A. with 236,710 kg. and the Netherlands with 130,872 kg.

TRADING RESULTS OF THE A.V.B. (GENERAL PEOPLE'S CREDIT BANK)

The General People's Credit Bank's outstanding loans amounted end of July to 18,000,000 guilders. The outstanding amount at the end of December last year was 7,000,000 guilders; in 7 months' time there was an increase of 11,000,000 guilders, or 157%.

WEST-BORNEO CONDITIONS IN AUGUST

The economic situation in August was determined in particular by rising rice-prices as a result of the running out of the harvest stocks. Unless countermeasures are taken in due time, this tendency is sure to hamper the exports of rubber. Great activity in rubber-tapping is reported from various areas. The shipping companies together shipped in August 7,000 tons of rubber against 5,257 tons in July, and 4,799 tons in June.

Copra-production amounted to 5,675 tons against 6,007 tons in July and 5,239 tons in June. In spite of the

fact that rice -inducement was abolished on August 1 for garden-cleaning, cleaning went on.

The rate of the inducement-dollar (Straits dollars) rose from f. 4.60 on August 3 to f. 4.90 on August 25, after which there was a slight drop to f. 4.70.

WEST-JAVA TEA-FACTORY STARTS WORK

In contrast to the many news-items concerning a decrease in safety in West-Java which endangers the rehabilitation of estates and rice-areas there are also signs of obstinate perseverance that are honoured with success.

On September 27th the Pasir Nangka-estate in the Preanger has been reopened.

Ever since the middle of March some 3,000 workers have taken to hand the rehabilitation of factory and plantations. Expecting to be able to sell tea-leaf shortly hundreds of Indonesian tea-garden owners started to bring their gardens into production again.

The rebuilding of some 1100 burnt-down houses for estate-personnel was one of the most difficult problems. However some 600 of these have now been put up again.

Monthly more than 50 tons of food are transported to the estate and over 30,000 meters of textile have been distributed to the workers.

The total production of estate and private owners amounted to 5.2 million $\frac{1}{2}$ kgs of tea of which about 2.4 million $\frac{1}{2}$ kgs came on the account of the population's privately owned tea-gardens. The total area then consisted of some 5660 HA of which over 5000 HA are now already worked again.

This year the factory's capacity will be brought to 1.5 million $\frac{1}{2}$ kgs whereas it is expected that at the beginning of next year this will be stepped up to 2.5 million $\frac{1}{2}$ kgs.

* * *

USES & QUALITIES OF KAPOK

The practical applications of kapok are based on the following facts and properties; no vermin can live in it; its extremely high resilience when compressed; its poor heat conductivity; its sound absorbing capacity.

The most important application is still that to mattresses. The kapok mattress remains free from vermin so that it is particularly suitable for hospitals and sanatoriums where hygienic regulations have strictly to be adhered to. Another advantage of the kapok-filled mattress is its smaller weight than that of mattresses filled with other material; which, of course, is of particular interest in the case of aircraft and other means of transport.

Further the buoyance of Java-kapok is six times greater than that of cork. Kapok is, therefore, the obvious material for life-belts. The heat insulating properties of kapok are being taken advantage of in the manufacture of refrigerator trucks, kapok-lined flight clothing (overalls) and other special garments for excluding cold.

The possibility of spinning kapok is still being investigated. So far all efforts have been unsuccessful, because the kapok fibre is too smooth, although it has been found possible to work up kapok together with wool, cotton or rayon yarns.

Of the crude kapok producing countries Indonesia ranks foremost. In 1939 kapok exports amounted to 21,450 tons to the value of 8,600,000 guilders; the total exports of all producing countries amounting to 26,152 tons. In 1939 of the Indonesian exports 43% went to the U.S.A. and 25% to Australia.

Crude kapok is the basic material for the Netherlands kapok working industry, which converts it into carded kapok.

The denomination "carded" kapok and the designation "carding" for the process to which kapok is subject is, to all intents and purposes, incorrect and dates from the infancy of the kapok industry, when the crude kapok was actually worked in a kind of carding machine. The present operation, exclusively by means of air currents, prevents the fibres from being broken, which is of major importance in the case of kapok with its hollow fibre. The designation "blown" kapok (kapok ventile), which is sometimes used in Belgium, is undoubtedly more correct than the denomination "carded" kapok.

Kapok is very much en vogue in the Netherlands. Several plants (in the aggregate 35) have been established in the Netherlands, which are engaged in carding crude kapok, and in addition usually manufacture mattresses. Before the war the annual production of the Netherlands industry averaged 4 million kilograms, of which some 15% were exported. Since Germany and France are no longer consumers of this product this percentage is no longer reached. Before the war besides to the countries referred to above carded kapok was mainly exported to Belgium, Portugal, and Scandinavia.